Income volatility is a national problem

one-third of low- and moderate-income Americans experience volatility (1)

2.5 months per year that low- and moderate-income families have incomes 25 percent below their average (3)

eighty-seven percent of experts agree that income volatility is a major problem facing the country (2)

4 in 10 individuals saw more than 30% difference in month-to-month income fluctuations (4)

(1) Federal Reserve 2015 SHED
(2) Expanding Prosperity Impact Collaborative
(3) US Financial Diaries
(4) JPMorgan Chase Institute
Conversations about income volatility

35 consumers in 4 cities
- Columbia, SC
- St. Louis, MO
- New Orleans, LA
- Oakland, CA

Most cite monthly income fluctuations of $100-$400+

Credit scores commonly range 500-650

Experience expense shocks

Majority paid hourly, mix of full-time and part-time; some self-employed or salaried
Common Themes

Causes

- Seasonal dips in business
- Inconsistent work hours
- Sudden job loss
- Gig economy
- Infrequency of pay
- No savings buffer
- Commission-based

Negative effects on

- Financial insecurity
- Mental health / stress
- Physical health
- Relationship dynamics
- Financial coping mechanisms
I quit school, can’t take a day off

Kelly, Columbia, SC

Cause
“I work **hourly**. I’m a server and bartender... you’re hoping someone tips properly or you get a good table, or an extra. **It’s day by day, dollar by dollar.**”

Effect
“I **can’t even take a day off** of work if I have a cold. I had to **quit school** just to **afford rent.**”
I developed high blood pressure

Ellen, St. Louis, MO

Cause
“I used to be an adjunct professor. You just never know from semester to semester... It was unstable, and you get paid monthly.”

Effect
“It was stressful. I developed high blood pressure. It was kind of embarrassing to not have health insurance... And I would be jealous of my sister because she could go to get her eyes examined for free.”
Buy everything on a credit card
Celeste, New Orleans, LA

Cause
“I work in hospitality, we have slow seasons, off seasons. You get sent home because it’s a little slow.”

Effect
“Normally I have savings to prepare for the holidays, but this year has been rough. This year, I’m probably just going to buy everything on a credit card that I have and pay it off. Like, just pay it off. Just pay…”
It’s depressing at the moment

Alicia, Oakland, CA

Cause
“I get paid **100% by commissions** in my full-time job in healthcare. My **income fluctuates** if **someone doesn’t pay their premium** that month; it lowers my income.”

Effect
“As their agent, they want to drop it in my lap. I have a ton of empathy… But there’s very little I can do. It’s **depressing** at the moment.”
It’s very anxiety producing

Gene, Oakland, CA

Cause
“Mostly what I do is drive for Uber and Lyft and temp gigs. Because you’re being paid directly in proportionate to the work you’re doing, there’s not consistency.”

Effect
“If I’m feeling sick or have to do something like take care of a parking ticket... if you’re working in a gig, you make no money. It’s very anxiety producing.”
I lived off savings, 401(k)

Joe Leigh, Oakland, CA

Cause
“I had a successful mortgage business. I lost a lot of money and had to start over (in 2008).”

Effect
“I lived off savings, had to start pulling money out of my 401(K). Once I was at a stable job for 1.5 years, then we had layoffs... then I was diagnosed with a medical condition. I was hit all at once.”
I pay rent yearly

Coping Mechanism
What I’ve been doing for the past four years is paying my rent yearly, that way that’s not a constant bill that I have to worry about month to month. During the year, as I do projects, I set aside a small amount of money in savings to pay rent.

Nate, St. Louis, MO
I review receipts and use lending circles

Kordnie, Oakland, CA

Coping Mechanism

I keep all of my receipts and try to review them once a month to monitor my spending. I’ve also used some lending circles to try and pay off some credit cards. I have different systems, but there’s also a reality about access to resources.
I put money in liquor bottles

Khadijah-Six, New Orleans, LA

Coping Mechanism

I put money ($50 from each paycheck) in a liquor bottle with a small spout, because you can’t get the money out unless you break the bottle. I hate glass.
Coping Mechanism

“It’s helpful to always have money coming in, from the various things I do. I have multiple deposits, sources of income, not one income stream.”
LendUp Customer Survey: Consequences

84% of LendUp customers experience income volatility

The Consequences of Income Volatility

- Emotional / mental health / stress: 52%
- Difficulty paying for utilities / bills: 38%
- Difficulty paying for medical care / prescriptions: 32%
- Difficulty paying for groceries: 30%
- Difficulty paying mortgage / rent on time: 22%
- Conflicts with family members: 19%
- Physical health: 18%
LendUp Customer Survey: Solutions

Ranking LendUp Customers’ Favorite Solutions

1. More predictable work schedule
2. Align due dates of bill payments to paydays
3. **Increase savings**
4. Increase paycheck frequency
5. Align paydays to bill due dates
6. Guarantee some income when hours are reduced
7. Access paycheck funds before payday
8. Automatic bill / debt payments from paycheck

LendUp’s Goal: Find Ways to Boost Savings

- LendUp will seek to
  - Partner to pilot a savings program
  - Use behavioral economics strategies to increase short-term savings
How will you address income volatility?

Business commitments
Government leadership
Cross-sector partnerships
Policy change
Consumer research
We’d love to hear from you!

Reach out at socialimpact@lendup.com.

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