

# FINANCE >> FORWARD

## Consumer Insights

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LendUp Social Impact



# Income volatility is a national problem

one-third

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

eighty-seven percent

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

2.5

months

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

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)

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.”

Joe Leigh, Oakland, CA



# 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.



# I have more than one income stream

Alicia, Oakland, CA

Coping Mechanism

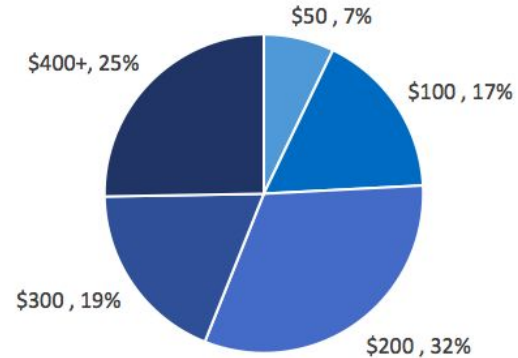
"It's helpful to always have money coming in, from the various things I do. I have multiple deposits, sources of income, **not one income stream.**"



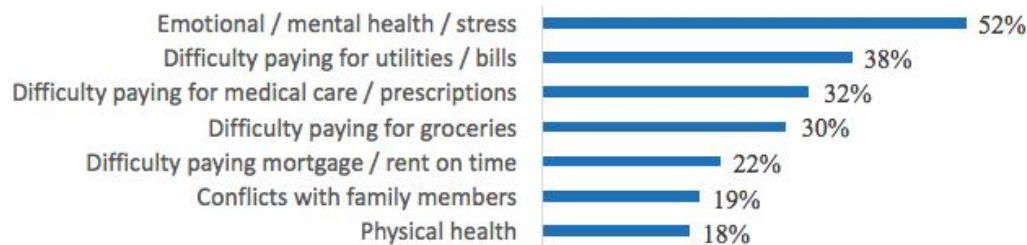
# LendUp Customer Survey: Consequences

**84%** of LendUp customers experience income volatility

The Amount of Monthly Income Volatility



The Consequences of Income Volatility





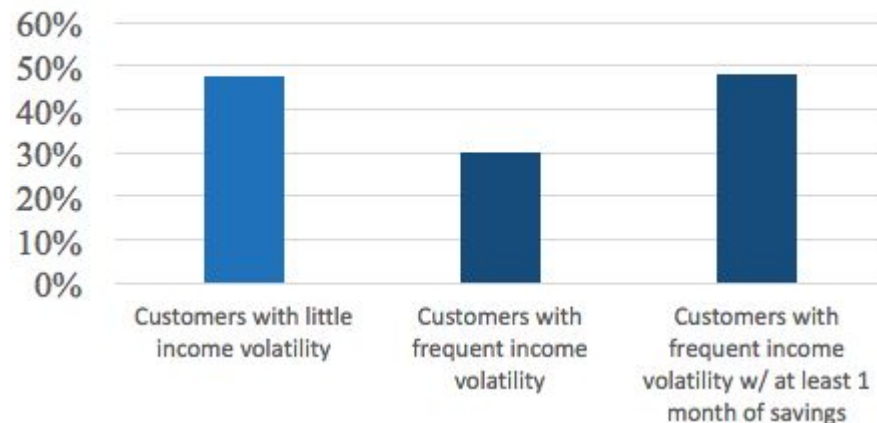
# LendUp Customer Survey: Solutions

## 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

"I paid all of my bills in full last month."



- 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](mailto:socialimpact@lendup.com).



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