Wealth Watch Insights from Varo Bank

ABSTRACT

A survey of 1004 American adults living paycheck-to-paycheck reveals the challenges and threats faced by this population, and how financial institutions who wish to serve and support them can do so in a meaningful way.

VARO Bank, Morning Consult, THRIVE Financial Empowerment Services

October, 2023

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FRAGILITY & RESILIENCY: WHO BREAKS, WHO BOUNCES BACK, AND HOW TO INTERVENE

INTRO

By some estimates, more than half of Americans are currently living paycheck-to-paycheck. This number has grown since the COVID pandemic and the high inflation of the past two years.

Research from institutions like the Financial Health Network, GFLEC, TIAA, and others have made it clear that the issue of 'financial fragility' in America is an important one, and that more needs to be done to support the population of people living paycheck-to-paycheck to prevent them from falling into debt traps and poverty traps that can keep them stuck for decades, and even generations.

The research to date has shed light on the problem, and pointed to the need for public policies and financial services that support the resiliency of American households. They stop short, however, of offering specific advice to the private sector for how to best serve this large and diverse population.

In September of 2023, Varo Bank partnered with Morning Consult and THRIVE Financial Empowerment Center to take a deeper look into the financial health and well-being of people living paycheck-to-paycheck in America. The purpose of this work was to learn more about who they are, what they are experiencing, and what resources (financial and non-financial) are most critical to helping them bounce back when financial hardship hits.

Grounded in consumer psychology research, this study looks at three types of resiliency resources (financial, psychological, and social support), and how they relate to financial health and well-being within this population.

The results offer insight for the financial services industry about how to best support those living paycheck-to-paycheck as they strive to build stability and resiliency in their financial lives.

EXECUTIVE SUMMARY

OBJECTIVE

The aim of this work is to better understand the needs and experiences of people living paycheck-to-paycheck in America. With this understanding, we aim to identify key actions that financial institutions can take to better support this population in their efforts to build stability and wealth.

METHOD

In partnership with Morning Consult and THRIVE Financial Empowerment Center, Varo Bank conducted a survey of 1004 Americans currently living paycheck-to-paycheck in September 2023.

Informed by a rigorous review of literature across several domains of research in consumer finance and psychology, the survey touched on many aspects of people's financial lives including economic, social, psychological and emotional experiences.

In addition, the survey measured three types of resiliency resources indicated by prior research to be predictive of one's ability to bounce back after a major economic blow. These are: financial, psychological, and social support resources. We then analyzed how differences in levels of resiliency resources related to financial fragility and well-being.

The results shed light on the day-to-day problems faced by people living paycheck-to-paycheck, the greatest threats to their wealth and well-being, and areas where financial institutions may be able to make a meaningful, positive difference in the lives of this large and diverse population.

KEY FINDINGS

Women are significantly more likely than men to be living paycheck-to-paycheck, (women = 59%, men = 41%). Of those who were considered financially fragile, a full two-thirds (67%) were women.

Fragility & Trust: There is a significant, inverse relationship between financial fragility and trust in financial institutions. A majority (74%) of respondents believe that the US financial services industry is 'rigged against the poor,' which may lead those who feel financially vulnerable to be more wary of trusting financial institutions.

Financial Stress and Physical Health: 35% of people living paycheck-to-paycheck report that financial stress has had a negative impact on their physical health in the past 6 months. Of these people, 59% reported sacrificing doctor's visits due to the cost. *This creates a negative feedback loop between financial stress and health problems.*

Financial Stress & Mental Health: Forty percent (40%) of respondents reported that financial stress has negatively impacted their mental health. Fifteen percent (15.6%) have considered self-harm due to financial stress. Fifteen percent have sacrificed mental health care due to the cost, and 1 in 5 people (21.5%) reported self-medicating due to financial stress. Men were significantly more likely than women to report self-medicating and considering self-harm.

Sacrificing Basic Needs: Nearly half of our respondents (48.2%) have sacrificed at least one basic need (doctor's visits, necessary medications, mental health care, healthy food, or safe housing) in the past 6 months due to the cost. Twenty-eight percent have sacrificed at least two of these basic needs.

The Greatest Financial Concerns for this population are A) covering basic costs of living (chosen by 34.5%), B) not enough savings (chosen by 16%), and C) too much debt (chosen by 14%).

Gen Z: Too Embarrassed to ask for Financial Help - 38% of Gen Z respondents have avoided asking for help with their finances because they feel embarrassed or ashamed.

Divided in Politics, United by Cost-of-Living Woes –There was no meaningful difference in financial fragility between political parties. People in all parties were inclined to cite the daily cost of living as their greatest financial concern.

Fragility & Resiliency: People with strong levels of social support and financial self-efficacy were significantly less likely to be financially fragile, even when controlling for age, income, gender, education, and race.

Resiliency Resources and Emotional Well-being: Those with low social support scores and high incomes were emotionally worse off than those with low incomes but high social support scores.

Big Finance, Little Consumer: There is an opportunity to serve this population by improving financial confidence, community connections, and easing the costs of day-to-day living.

CHAPTER 1 – THE PEOPLE LIVING PAYCHECK-TO-PAYCHECK

METHOD & MEASURES

In September 2023, Varo Bank partnered with Morning Consult to conduct a survey of US households living paycheck-to-paycheck. **Respondents were screened using the following qualification criteria:**

Qualification Criteria 1: All participants must be US residents, 18 years or older as we are interested in US adults.

Qualification Criteria 2: All participants must be employed. This excluded retired and unemployed individuals, as we are interested in households who are living paycheck-to-paycheck rather than those who are retired, seeking work, or out of the work force for any other reason.

Qualification Criteria 3: Participants must be living paycheck-to-paycheck, or close to it. To determine this, we used two questions from the Financial Health Network's Financial Health Survey.

1. We asked about how spending related to income over the past 12 months. Only those who answered that spending was "A little more than," "about equal to," or "a little less than" spending were accepted as participants.
    a. This excluded households with plenty of financial slack as well as those that are in dire straits or insolvent.
2. We asked how often they paid their bills on time in the past 12 months. Only those who responded, "Paid all of our bills on time," or "Paid most of our bills on time," were accepted.
    a. This excluded people who are exceedingly behind or financially destitute. Our interest is in those who are on the line between stability and insolvency.

The resulting sample population was 1004 US adults living paycheck-to-paycheck, or close to it.

The goal of this survey was to learn more about the financial health and well-being of this population. Who are they? What are they experiencing? What threats do they face that could send them into worse circumstances, and what resources are most important in their pursuit of long-term stability and growth?

Measures

Informed by a rigorous review of literature across several domains of research in consumer finance and psychology, the survey touched on many aspects of people's financial lives including economic, social, psychological and emotional experiences.

In addition, the survey measured three types of resiliency resources indicated by prior research to be predictive of one's ability to bounce back after a major economic blow. These are: financial, psychological, and social support resources. We then analyzed how differences in levels of resiliency resources related to financial fragility and well-being.

CONTROL VARIABLES/ DEMOGRAPHICS

Generation – Participants were placed into the following generational groups:

Gen Z: 1997-2012, Millennials: 1981-1996, Gen X: 1965-1980, Baby Boomers: 1946-1964

Gender – Gender responses were constrained to Male/Female, as this was administrative data reported by Morning Consult, and not a survey question.

Education – Education levels were kept to three simple groups: Less than college, Bachelor's and Graduate School

Geographic Region – Participants were grouped into four major US regions: Northeast, Midwest, West, and South

Ethnicity – Participants were asked which ethnicity they most identified with: White, Black, Hispanic, or Other.

DESCRIPTIVE STATISTICS: WHO ARE THEY?

From the September 2023 Varo Survey of Americans living paycheck-to-paycheck.

Total Survey Respondents = 1004

GENDER

GENDER	NUMBER	PERCENT
MALE	413	41%
FEMALE	591	59%

ETHNICITY	#	%
WHITE	742	73.9%
HISPANIC	78	7.8%
BLACK	130	12.9%
OTHER	132	13.1%

AGE AGE	NUMBER	PERCENT
18-34	312	31.1%
35-44	194	19.3%
45-64	316	31.5%
65+	182	18.1%

GENERATION	NUMBER	PERCENT
GENZ	68	6.8%
MILLENNIALS	399	39.7%
GENX	247	24.6%
BOOMERS	275	27.4%
NA	15	1.5%

POLITICAL IDENTIFICATION

PARTY	Number	Percent
DEMOCRAT	381	37.9%
INDEPENDENT	314	31.3%
REPUBLICAN	309	30.8%

EMPLOYMENT

TYPE	Number	Percent
PRIVATE SECTOR	747	74.4%
PUBLIC SECTOR	98	9.8%
SELF-EMPLOYED	159	15.8%

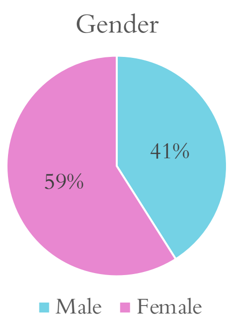
EDUCATION

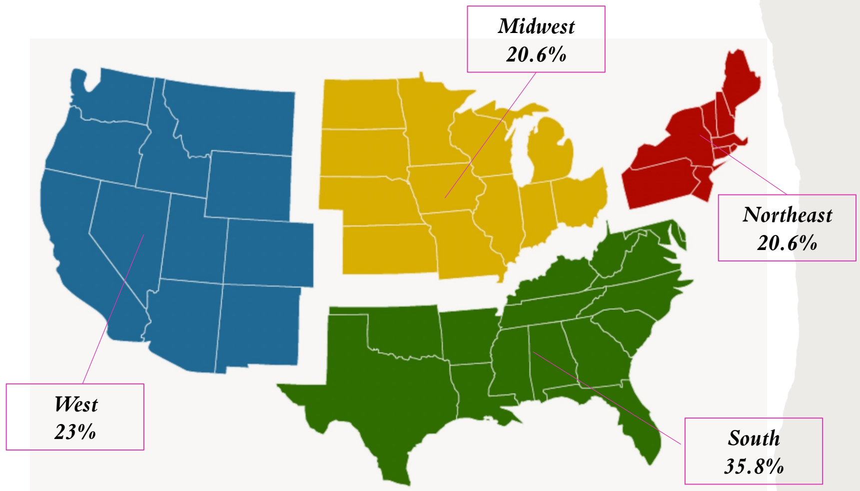
EDUCATION	NUMBER	PERCENT
< COLLEGE	525	52.3%
BACHELOR'S	288	28.7%
POST-GRAD	191	19.0%

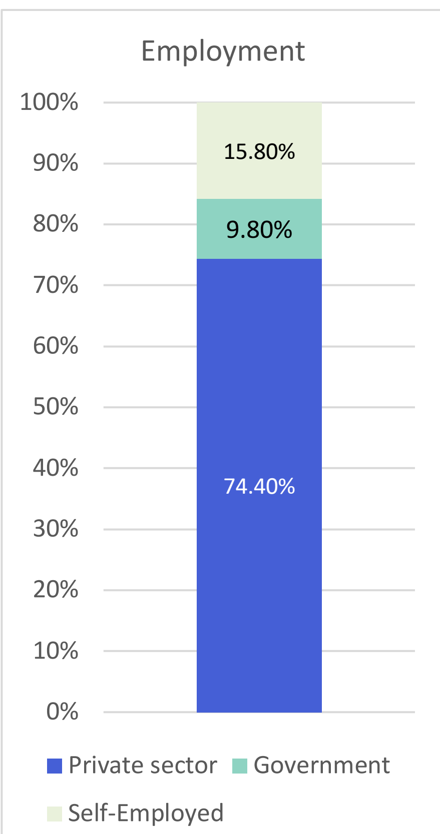
GEOGRAPHY

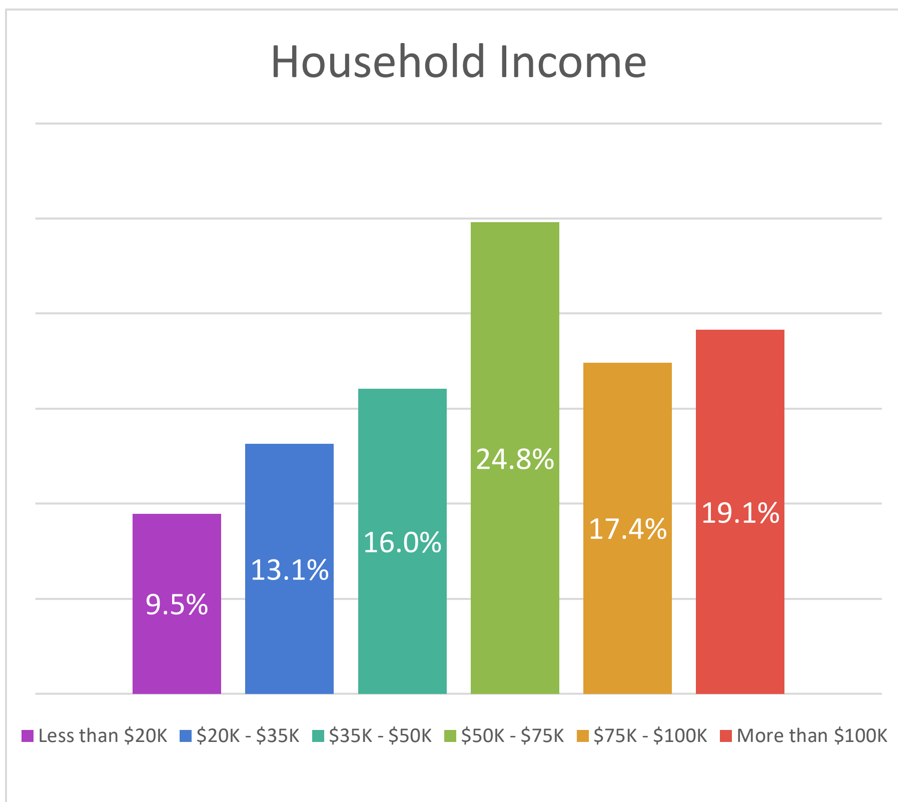
REGION	Number	Percent
NORTHEAST	207	20.6%
MIDWEST	207	20.6%
SOUTH	359	35.8%
WEST	231	23.0%

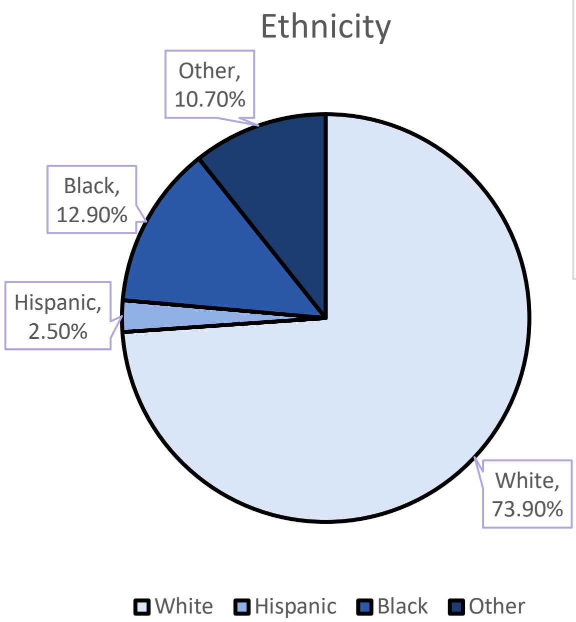
Who They Are

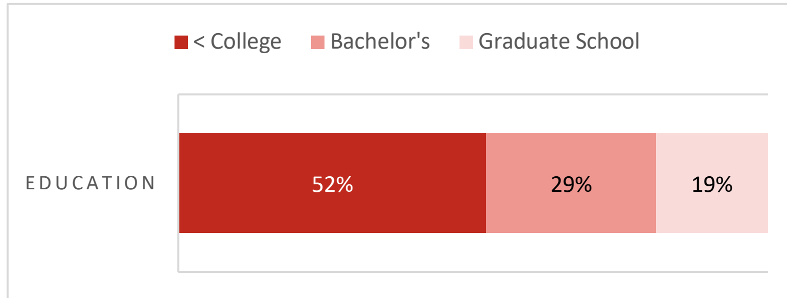

Gender
41%
59%
Male
Female

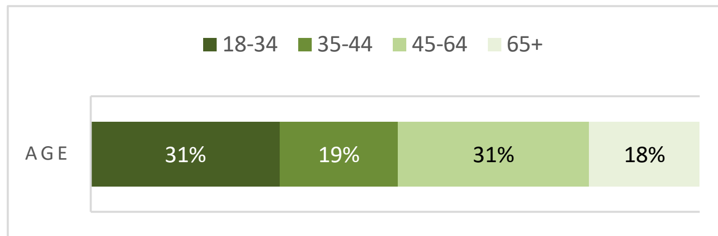

Midwest
20.6%
Northeast
20.6%
West
23%
South
35.8%

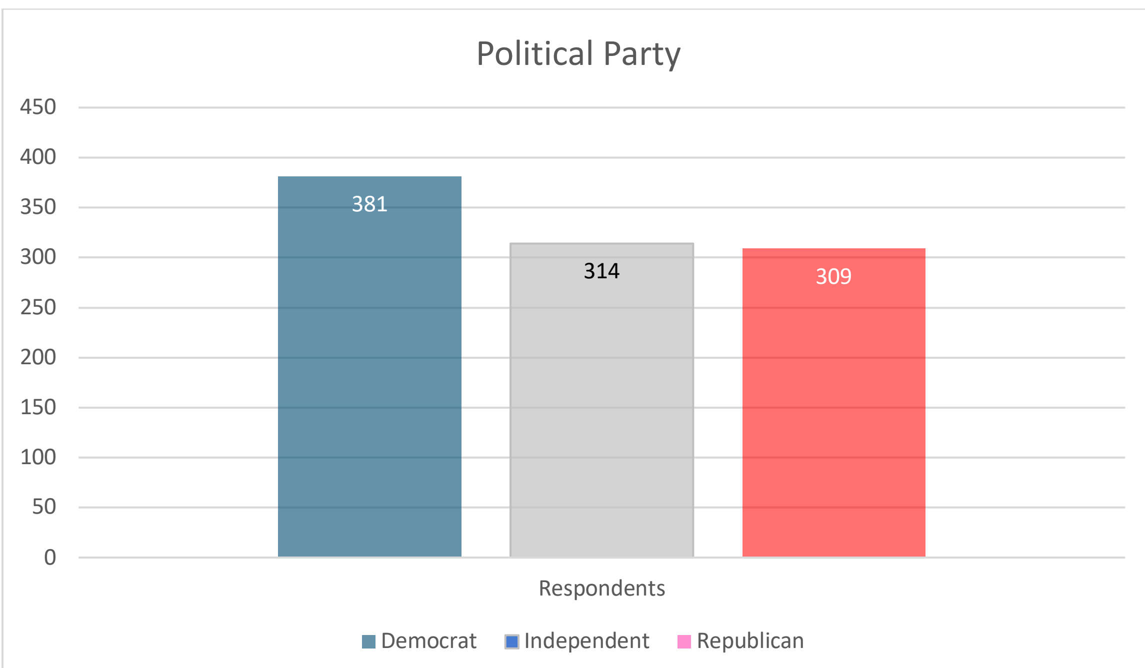

Employment
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
15.80%
9.80%
74.40%
Private sector
Government
Self-Employed


Household Income
9.5%
13.1%
16.0%
24.8%
17.4%
19.1%
Less than $20K
$20K - $35K
$35K - $50K
$50K - $75K
$75K - $100K
More than $100K


Ethnicity
Other, 10.70%
Black, 12.90%
Hispanic, 2.50%
White, 73.90%
White
Hispanic
Black
Other


< College
Bachelor's
Graduate School
EDUCATION
52%
29%
19%


18-34
35-44
45-64
65+
AGE
31%
19%
31%
18%


Political Party
450
400
350
300
250
200
150
100
50
0
381
314
309
Respondents
Democrat
Independent
Republican

TRUST IN FINANCIAL INSTITUTIONS

This population has a general distrust for financial institutions.

- A solid majority (74%) agreed with the statement, “The US financial system is rigged against the poor.”
- More than two-thirds (68%) believe that “You can’t be too careful,’ when dealing with financial institutions.
- Women were significantly less trusting than men.
- There was no significant difference in trust based on Ethnicity.

CHAPTER 2 – FRAGILITY: THE HIGH COST OF LIVING PAYCHECK-TO-PAYCHECK

Even within the population of people living paycheck-to-paycheck there is significant variability in quality-of-life. Those with even a small amount of slack in their budget, or those who know they can call on others to help if needed scored higher on all the quality-of-life measures.

We were interested to learn how those who have resiliency resources differ from those who do not in terms of health and well-being. To do so, we needed to separate our sample into groups representing those who are fragile, those who are surviving, and those who are stable.

FRAGILITY DEFINED

To measure financial fragility, we asked participants how confident they are that they could come up with $2,000 in 30 days if necessary. This measure has been used by the National Institute of Health[1], the Global Financial Literacy Excellence Center[2], and the American Economic Association[3], among others.

Those who reported they could "certainly come up with the money", or that they "could probably come up with the money" were deemed *not* financially fragile. Those who were unsure, or confident they could *not* come up with the money were considered financially fragile.

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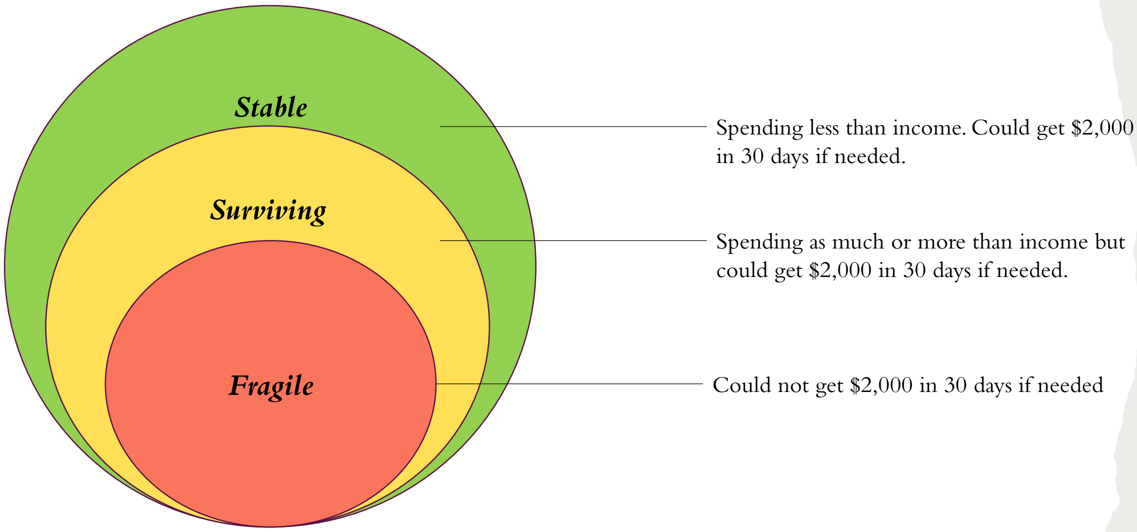
[1] Bialowolski P, Weziak-Bialowolska D, McNeely E. The Role of Financial Fragility and Financial Control for Well-Being. Soc Indic Res. 2021;155(3):1137-1157. doi: 10.1007/s11205-021-02627-5. Epub 2021 Feb 15. PMID: 33612917; PMCID: PMC7883334.

[2] Hasler, A., Lusardi, A., & Oggero, N. (2018). Financial fragility in the US: Evidence and implications. *Global Financial Literacy Excellence Center, The George Washington University School of Business: Washington, DC.*

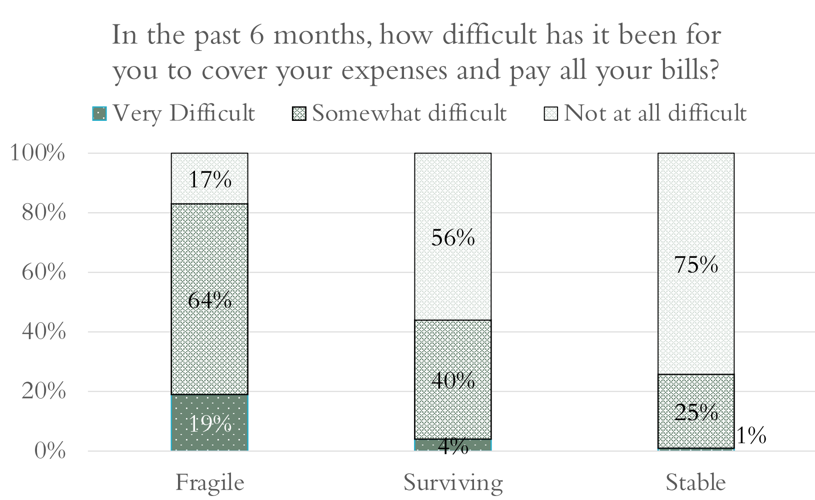
[3] Clark, Robert L., Annamaria Lusardi, and Olivia S. Mitchell. 2021. "Financial Fragility during the COVID-19 Pandemic." *AEA Papers and Proceedings*, 111: 292-96.DOI: 10.1257/pandp.20211000

Who They Are: Our 3 Personas



Using these groups, we can see the difference in day-to-day quality of life between the financially fragile and those who have even a small amount of financial slack or support.

What they are going through: Making Ends Meet

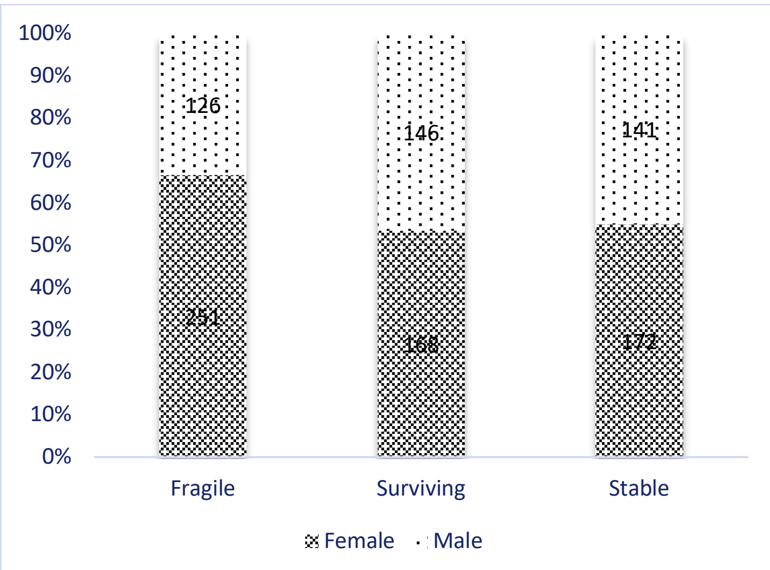


83% of Financially fragile households have found it at least "somewhat difficult" to make ends meet, compared with 44% of 'surviving' households, and 26% of 'Stable' households.

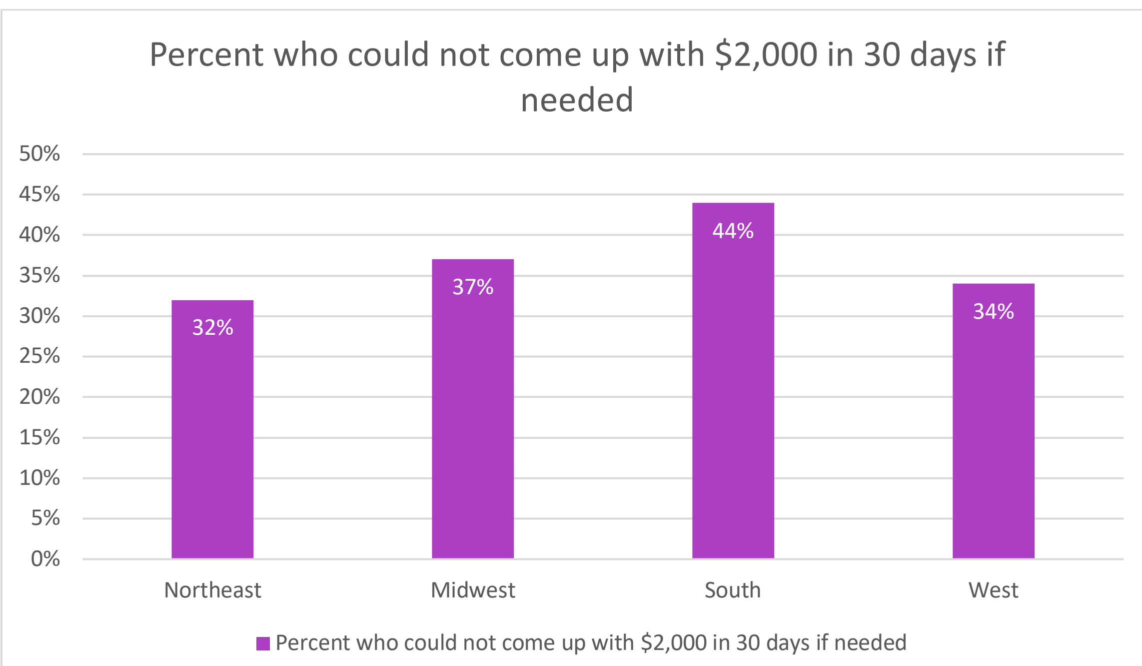
There was no statistical difference in fragility by ethnicity.

Women were significantly more likely to be financially fragile than men, with a full 2/3 (67%) of the financially fragile respondents being women.

FINANCIAL FRAGILITY AND GENDER



The South had the highest rate of financial fragility among the four US regions.



Thirty-five percent (35%) of our sample reported that financial stress has had a negative impact on their physical health in the past 6 months. Of these people, 59% reported sacrificing doctor's visits due to the cost. *This creates a negative feedback loop between financial stress and health problems.*

Sacrificing Basic Needs: Nearly half of our respondents (48.2%) have sacrificed at least one basic need (doctor's visits, necessary medications, mental health care, healthy food, or safe housing) in the past 6 months due to the cost. Twenty-eight percent (28%) have sacrificed at least two of these basic needs.

When broken down by the 3 groups, those who are financially fragile are significantly more likely to be affected than those who have just a small amount of slack.

WHAT THEY ARE GOING THROUGH:
SACRIFICING NEEDS DUE TO COST

Sacrifice	People	Fragile	Surviving	Stable
Dental care	250	143	61	46
Doctor's visits	210	112	55	43
Medications	108	64	20	24
Mental Health Care	157	85	37	35
Healthy Food	232	129	60	43
Safe Housing	70	39	15	16
Educational Opportunities	113	56	28	29
Career Opportunities	105	50	23	32
Social Opportunities	262	134	69	59
Percent making at least one sacrifice		71.6%	49.7%	39.0%

Financially fragile households were ***significantly more likely to sacrifice necessary health care,*** safe housing, or advancement opportunities in the past 6 months due to the cost than were 'surviving' or 'stable' households.

Financial Stress & Mental Health: Forty percent (40%) of respondents reported that financial stress has negatively impacted their mental health. Fifteen percent (15%) have sacrificed mental health care due to the cost, and 1 in 5 people (21.5%) reported self-medicating due to financial stress. Fifteen percent (15.6%) said that financial stress has caused them to consider self-harm. Men were significantly more likely than women to report self-medicating and considering self-harm.

When seen through the lens of the three groups, the more financially fragile a household is, the more likely that their mental and emotional health is negatively impacted by financial stress.

WHAT THEY ARE GOING THROUGH: STRESS & EMOTIONAL WELL-BEING

Financially fragile individuals are significantly more likely to report that ***financial stress has hurt their physical & emotional health.***

18% of 'fragile' and 17% of 'surviving' have ***considered self-harm due to financial stress.***

Effect of Stress	***Fragile***	***Surviving***	***Stable***
Financial stress has had a negative impact on my physical health	2.67	3.11	3.25
Financial stress has had a negative impact on my mental health	2.49	3	3.13
Made me consider self-harm	3.42	3.49	3.65
Made me self-medicate	3.18	3.36	3.53
Given up on getting ahead	2.8	3.15	3.39
Avoided help out of embarrassment	2.88	3.09	3.46

Average Score by Group – 1 = Very true, 4 = Not at all true

Interestingly, there was a significant generational difference on people's willingness to ask for help. Gen Z and Millennials were significantly more likely to report that they have avoided asking for help with their finances out of embarrassment or shame than older generations.

THEIR GREATEST SOURCE OF FINANCIAL STRESS

When asked to name their greatest source of financial stress today, Varo's survey reveals that the top financial concern for people living paycheck-to-paycheck is 'the cost of daily living' (chosen by 35%). The second most common choice was 'not enough savings' (16%) and third was 'too much debt' (14%).

WHAT THEY ARE GOING THROUGH: GREATEST FINANCIAL CONCERN

Greatest Financial Stress	Number of People	Fragile	Surviving	Stable
Too much debt	143	74	44	25
Not enough savings	164	62	50	52
Cost of daily living (food, transportation, rent, child care)	**347**	**146**	**99**	**102**
Unemployment / underemployment	36	21	10	5
Losing money on my investments	70	10	18	42
People I love are struggling financially	65	16	23	26
Bad credit makes borrowing difficult/expensive	31	20	8	3
NONE of these	129	21	56	52
Other	19	7	6	6

FRAGILITY AND ACCESS TO FINANCIAL PRODUCTS

There were significant differences in how the three groups view their access to financial support through their bank.

BELIEF	% WHO **DISAGREE (TOTAL)**	STABLE	SURVIVING	FRAGILE
My bank offers the products and services I need to keep my financial life on track	18.4%	10.5%	11.5%	**27.3%**
I have access to helpful financial products and services	16.4%	13.1%	16.9%	**18.3%**

CHAPTER 3 – RESILIENCY: THE FINANCIAL VALUE OF NON-MONETARY RESOURCES

THREE TYPES OF RESILIENCY RESOURCES

Psychologists who study resilience have found that when coping with a major financial shock (such as sudden, unexpected job loss), people rely on three types of resources to recover. These are:

- Financial resources - Cash reserves, other sources of income, severance pay, unemployment income, etc.
- Psychological resources – Self-esteem, perceived self-efficacy, self-confidence.
- Social support resources - Friends, family, community, etc.

Prior research shows that even when financial resources are lacking, those with strong psychological and social support resources are often able to rebound from negative financial shocks, and even 'bounce back better' so to speak[4,5].

In this study, the following measures were used to estimate resiliency resources:

Financial Resources – Participants reported their current income, assets, and liabilities as well as their socioeconomic status in childhood. These were used as our measures of financial resources & circumstances.

Psychological Resources –

Financial Self-Efficacy – The 6-item financial self-efficacy scale was employed to measure each person's belief in their own ability to manage financial challenges[6].

The 1-item self-esteem measure[7] estimated general self-esteem.

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[4] Solove, E., Fisher, G.G. & Kraiger, K. Coping with Job Loss and Reemployment: A Two-Wave Study. *J Bus Psychol* 30, 529–541 (2015). https://doi.org/10.1007/s10869-014-9380-7

[5] Leana, C. R., & Feldman, D. C. (1988). Individual Responses to Job Loss: Perceptions, Reactions, and Coping Behaviors. *Journal of Management*, *14*(3), 375-389. https://doi.org/10.1177/0149206388014

[6] Lown, Jean M., Development and Validation of a Financial Self-Efficacy Scale (2011). Journal of Financial Counseling and Planning, Vol. 22, No. 2, p. 54, 2011, Available at SSRN: https://ssrn.com/abstract=2006665

[7] Robins, R. W., Hendin, H. M., & Trzesniewski, K. H. (2001). Measuring Global Self-Esteem: Construct Validation of a Single-Item Measure and the Rosenberg Self-Esteem Scale. Personality and Social Psychology Bulletin, 27, 151-161.

Social Support Resources – Social support resources were measured using the 6-item social support scale[8].

EFFECTS OF NON-MONETARY RESOURCES ON FINANCIAL FRAGILITY

Financial self-efficacy (how competent one feels when navigating financial challenges) was a highly significant predictor of financial fragility, and the effect size of financial self-efficacy dwarfed those of income, education, ethnicity and childhood socioeconomic status.

Financial self-efficacy (as measured in this work[9]) reflects one's beliefs about their ability to manage the following financial challenges:

1) Sticking to a spending plan when unexpected expenses arise,
2) Making progress toward one's financial goals,
3) Not having to rely on credit when unexpected expenses arise,
4) Figuring out a solution when faced with a financial challenge,
5) Having confidence in one's ability to manage their finances, and
6) Not worrying about running out of money in retirement.
7)

A standardized linear regression model was used to estimate the effects of resilience resources on financial fragility. The model took the following form:

$$\textit{Financial Fragility} = \textit{Financial Resources} + \textit{Psychological Resources} + \textit{Social Support Resources} + \textit{Demographics} + \text{error}$$

Results showed that *psychological and social support variables remained significant even when controlling for financial resources and demographics*.

The table below shows the results of a standardized linear regression of Financial Fragility on financial, psychological, and social support resources.

[8] Sarason, I. G., Levine, H. M., Basham, R. B., & Sarason, B. R. (1983). Assessing social support: The Social Support Questionnaire. *Journal of Personality and Social Psychology*, *44*(1), 127–139. https://doi.org/10.1037/0022-3514.44.1.127

[9] Lown, Jean M., Development and Validation of a Financial Self-Efficacy Scale (2011). Journal of Financial Counseling and Planning, Vol. 22, No. 2, p. 54, 2011, Available at SSRN: https://ssrn.com/abstract=2006665

The effect size of financial self-efficacy was comparable to the effects of generation, education, and childhood SES combined.

This suggests that nonmonetary resources play a significant role in predicting financial fragility.

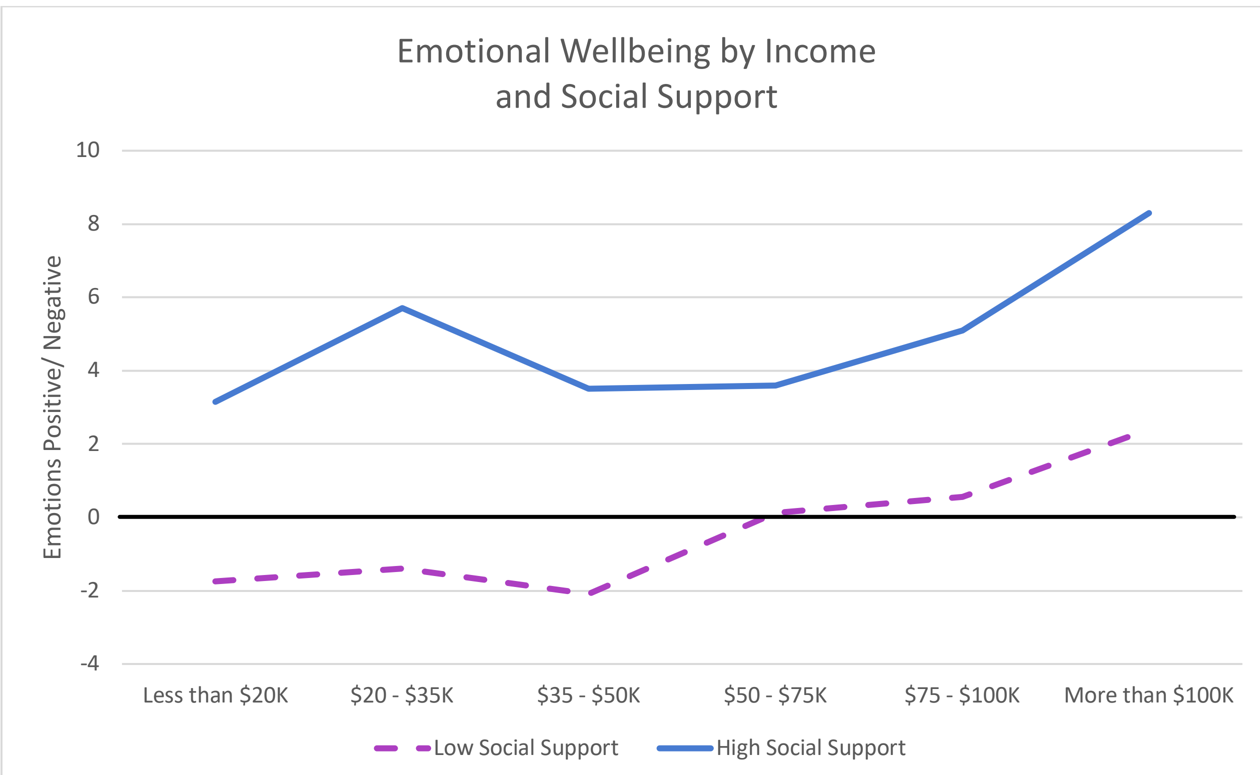
Explanatory Variable	*Standardized Beta*	*Std. Error*	*t-value*	*p-value*
Intercept	2.22127	0.03481	63.807	2.00E-16***
Income	-0.1708	0.03612	-4.728	2.60E-06***
Assets	-0.3314	0.03748	-8.841	2.00E-16***
Liabilities	0.1149	0.03322	3.458	0.000567***
Social Support	0.08698	0.03256	2.672	0.007676**
Financial self-efficacy	-0.25892	0.03283	-7.886	8.28E-15***
Self-esteem	0.03022	0.03495	0.865	0.387434
Generation	-0.04434	0.03188	-1.391	0.164594
Education	-0.10883	0.03267	-3.331	0.000897***
Ethnicity	-0.14835	0.06987	-2.123	0.034*
Childhood SES	-0.13061	0.03195	-4.088	4.71E-05***

Adjusted R-squared = 0.3153, < 2.2e-16

EFFECTS OF NON-MONETARY RESOURCES ON EMOTIONAL WELL-BEING

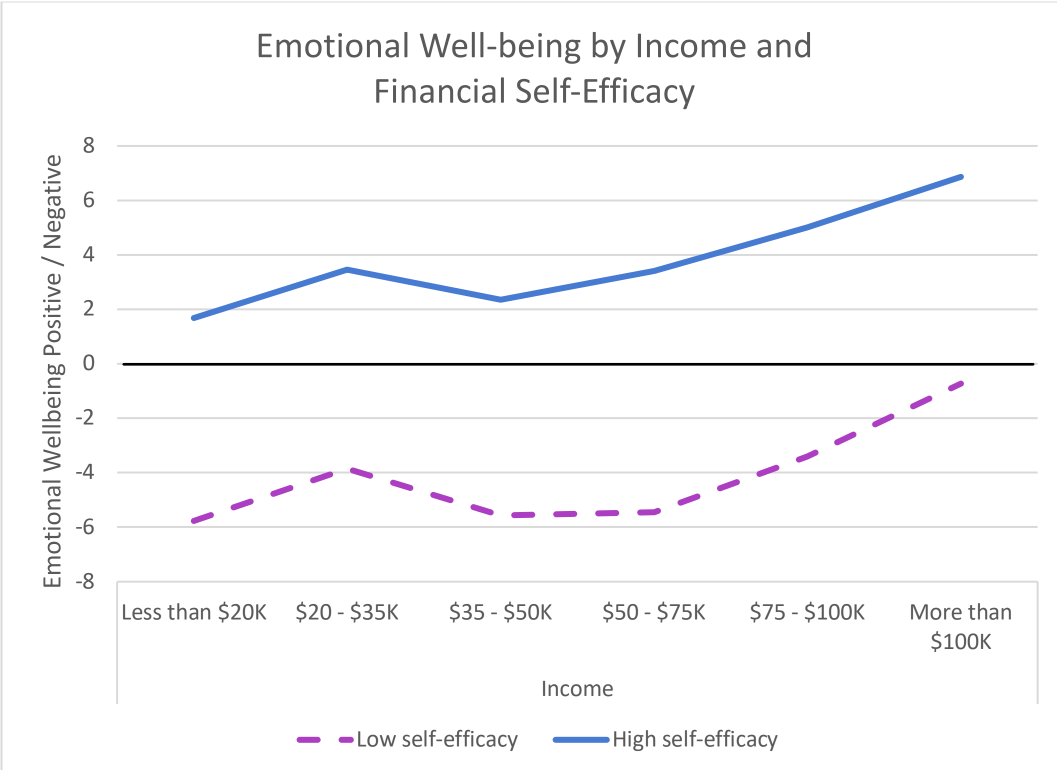
To examine the effect of resiliency resources on financial well-being, we examined the emotional experience of people with respect to their finances. People reported how much they felt 5 negative emotions (Stress, Anger, Helplessness, Disappointment, and Shame) and 5 positive emotions (Peace, Gratitude, Empowerment, Contentment, and Pride) when thinking about their current financial life. A score above zero indicated feeling more positive emotions than negative emotions, and vice-versa.

People who had a strong sense of social support felt significantly more positive emotions with respect to their finances than those with low social support, regardless of income, as shown in the chart below. ***Those with low social support scores and high incomes were emotionally worse off than those with low incomes but high social support scores.***



A similar, but more dramatic effect was revealed when looking at financial self-efficacy and emotional well-being.

People with a strong sense of financial self-efficacy were, on average, experiencing positive emotions with respect to their finances *regardless of income*. Conversely, those with a weak sense of financial self-efficacy felt mostly negative, *regardless of income.*



These results suggest that social support and financial self-efficacy are important factors in financial well-being. A positive emotional state with respect to one's finances is beneficial to long-term financial success because positive emotional states are more conducive to problem-solving and overall well-being than negative emotions like stress, shame, and helplessness.

EFFECT OF NONMONETARY RESOURCES ON THE DECISION TO GIVE UP

Thirty percent (30%) of the people we surveyed said they have, "given up on getting ahead, financially." This is concerning since it indicates a complete loss of hope, or an emotional breaking point. When we examined the effect of resiliency resources on the tendency to give up, we found that non-monetary resources were far more important than financial resources.

Results of a standardized linear regression of Giving Up on financial, psychological, and social support resources show that while a person's current asset balance has a small, significant impact on whether they have given up, the effect of financial self-efficacy is **six times as large.**

Variable	*Standardized Beta*	*Std. error*	*t-value*	*p-value*
Intercept	1.908816	0.031799	60.028	<2e-16***
Income	0.011531	0.032998	0.349	0.7268
Assets	-0.074797	0.034239	-2.185	0.0292*
Liabilities	0.010912	0.030349	0.36	0.7193
Social support	0.074283	0.029739	2.498	0.0127*
Financial self-efficacy	-0.437261	0.029989	-14.581	<2e-16***
Self-esteem	-0.068406	0.031922	-2.143	0.0324*
Generation	-0.024982	0.029119	-0.858	0.3911
Education	-0.013892	0.029843	-0.466	0.6417
Ethnicity	-0.007446	0.063825	-0.117	0.9072
Childhood SES	0.018655	0.029186	0.639	0.5229

Adjusted R-squared = 0.2567, p-value < 2.2e-16

CHAPTER 4 – HOW BIG FINANCE CAN HELP

Financial institutions that wish to serve and support Americans living paycheck-to-paycheck can do so by focusing on bolstering the resiliency resources of this population. These may be financial, but as we have shown in this study, nonmonetary resources are also very important in helping people to bounce back from financial challenges.

Here, we offer a few suggestions for ways to support this large and diverse population as they strive to build security and resiliency.

FINANCIAL SUPPORTS

The main concerns of this population are not interest rates or stock market performance, despite the tendency of financial institutions and news outlets focus heavily on these things.

The top three concerns of people living paycheck-to-paycheck are A) the cost of daily living, B) not enough savings, and C) too much debt. To better serve this group, banks and lenders may consider the following suggestions:

- Debit cards that offer cash back or discounts on day-to-day expenses.
- Eliminating overdraft fees that effectively serve as a ‘poor tax’ or punishment for small mistakes.
- Advance deposits for paychecks to help bridge the gap between pay days.
- Low-interest options for short-term loans as a viable alternative to expensive payday lenders and title loans.
- Digital technology that helps people stay on top of due dates and irregular bills so they can better organize their complex financial lives.

SOCIAL SUPPORTS

While financial institutions are not often associated with social connection, this highlights the opportunity that is available if one were to establish themselves as a financial partner and support resource.

The powerful, positive impact of social support on financial resiliency and well-being is clear. When people living paycheck-to-paycheck don’t have social supports, they are far more likely to be financially fragile.

Some suggestions for how financial institutions can serve as social supports to this population are:

- Financial coaching / mentoring. Many banks have outreach programs aimed to educate and empower their communities. Designing these programs to be peer-based, mentorship focused, or coaching-oriented may promote connectedness and support within this population.

- Distribute information to customers about 3rd party groups that may serve as supports during financial crises. Many people are unaware of the resources that are available to them (often at no cost) in times of financial hardship. Banks that wish to support this population would do well to serve as connection points for people experiencing financial difficulties and the local services available to them.

PSYCHOLOGICAL SUPPORTS

Since financial self-efficacy reflects one's belief in their ability to manage the common, but unexpected, financial shocks of daily life, and find solutions when challenges arise, it stands to reason that financial institutions could bolster individual financial self-efficacy through empowerment-based financial education efforts. These may include:

- Community workshops on how to navigate common money management challenges,

- Digital or tangible recognition of good financial choices, such as earning badges for meeting savings goals, shout-outs for paying down debts, or similar emotional rewards that call attention to the positive financial choices a person is already making.

- Clear, regular updates on progress toward financial goals.

- Simple, accessible money management tools that are easy to use and don't require a heavy time commitment.

IN CONCLUSION

By some estimates, more than 60% of Americans are living paycheck-to-paycheck. This study dug deep into the profiles, experiences, challenges, and resources of this large and diverse population.

Even within the population of people living paycheck-to-paycheck there is significant variability in quality-of-life. Those with even a small amount of slack in their budget, or those who know they can call on others to help if needed scored higher on all the quality-of-life measures.

The findings suggest that people living paycheck-to-paycheck need financial products and services that will help them manage the costs of day-to-day living, bridge the gap between paychecks when unexpected expenses arise, and improve their confidence in their own ability to manage money. These may be financial, but as we have shown in this study, nonmonetary resources are also very important in helping people to bounce back from financial challenges.