Elevate's
Center for the
New Middle Class

Finding Security in Insecure Times

What it means to be more financially secure

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Summary

IN THE UNCERTAINTY of today's economy, many Americans' primary financial goal is simply to achieve stability. But, a large number of Americans actually say the economy is working for them according to the latest data from the Survey of American Household Finances. In this report, we identify what drives some people to feel that the economy is working for them, and find they share four broad characteristics:

1) They are more likely to feel supported by the institutions around them.

2) They feel like they have access to the credit that they need when they need it.

3) They see financial institutions as partners in their progress.

4) They have employers that support them across the spectrum of employment benefits.

Introduction

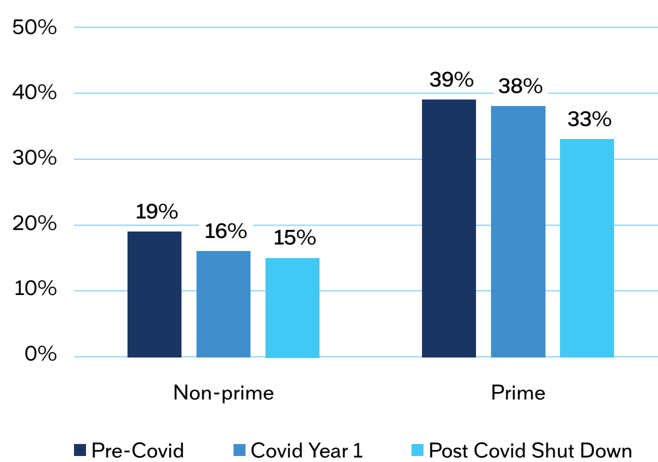
Inflation is raging[1], home prices have spiked[2], interest rates are on the rise[3], rental prices hit a new high[4], and we have officially moved into a bear market[5]. Plenty of news suggests the economy is struggling and may already be in a recession[6]. Economic insecurity underlies many people's concerns. Maintaining one's financial situation in an uncertain economy is a notable achievement, but what does it mean to be *more* financially secure in this economy? What characteristics are common for those who are doing better financially than they were a year ago?

In our monthly financial tracker we ask, among many other things, "Compared to a year ago, how do you feel financially...," with the answer choices being: "More secure," "About the same," or "Less secure." From this, we learned that about half of all people (both prime and non-prime) feel "About the same" financially as they did a year ago. Notably, that percentage had dipped during the first year of the pandemic, but it has since rebounded to pre-pandemic levels.

There are however, two notable points to draw out as we dig deeper into the data:

- Of the prime respondents that reported a change in their financial security, the

Percent of consumers who feel "more secure" financially than they did one year ago



"Pre-Covid" represents the time period from September 2018 through March 31, 2020; n = 6,594. "Covid Year 1" April 1, 2020, through March 31, 2021; n = 8,746. "Post Covid Shut Down" April 1, 2021, through June 6, 2022; n = 6,327.

majority say they feel "more secure", while the majority of non-prime that reported any change feel "less secure".

- Among both prime and non-prime respondents, the percentage of people feeling "more secure" is decreasing.

With the number of people feeling "more secure" dropping, it is insightful to look at what it means to be "more secure" compared to one year ago. To do this, we indexed "more secure" consumers against those that are "about the same" across the questions in our data to see what qualities and feelings were more prominent for "more secure" consumers. To simplify, we categorized the questions into three components: credit and debt; financial outlook; and employment.

> **Both prime and non-prime consumers who are "more secure" are much more likely to feel good about future financial goals, both short-and long-term.**

Credit and Debt

While carrying debt can be construed with financial vulnerability, access to credit provides a needed buffer against unforeseen financial disruptions. Having access to credit—and in some cases using credit—can be the difference between financial sliding, maintaining financial resilience, or even making progress.

Credit scores: For millions of Americans, credit scores have come to represent their financial health, so it should come as no surprise that an improving credit score is essential to feeling more financially secure. This also likely drives some of the difference between prime and non-prime feelings of security.

Credit Access: Both prime and non-prime consumers noted increased confidence in the ability to access all seven credit items in the questionnaire. However, this improved confidence was especially noted in the non-prime segment. In addition to the distinct credit items discussed, both groups were more likely to say that getting credit from their bank or credit union was easier than last year.

Current Debts: Customers who self-reported as "less secure" are more likely than those who are "about the same" to carry a variety of debt. What is unexpected in the responses is that those who identify as "more secure" have roughly similar debt as those "less secure" and both groups had more debt than those who feel "about the same." While the presence of debt can be an indication of financial stress, it can also provide financial security, especially when that debt solves an immediate problem in someone's life.

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Financial Outlook

People are more likely to make good financial decisions if they feel like financial institutions are a constructive force in their lives and that financial viewpoint has deep implications on how they engage with the economy.

Future outlook: Both prime and non-prime consumers who are "more secure" are much more likely to feel good about future financial goals, both short-and long-term. They are confident that they can meet short-term savings goals, save enough to retire, save enough for their children to attend college debt-free, and much more likely to purchase a home in the next 12 months.

Banking: Banks and credit unions play an extremely important role in the financial security of Americans. Yet consumer trust and satisfaction can vary greatly across consumer segments and types of institution. Consumers who feel "more secure" have more trust in every type of intuition: national banks, regional and local banks, credit unions, and online banks. More importantly, they feel better served by their financial institutions. When asked about the financial institution used for daily finances, "more secure" consumers rated their institutions higher on everything from "They provide me with great service" and "They are a partner in my financial progress", to "They are happy to work with me" and "They are the best banking option for me."

Inflation: A logical assumption would be that consumers who feel more financially secure than they did a year ago would feel less strained by month-to-month expenses, and that logic bears out in the data for non-prime consumers. However, "more secure" prime consumers are just as strained (particularly in the case of groceries) as those who feel "about the same" as last year. This tells us that even consumers who are "more secure" now are feeling a strain on their finances from groceries, gas, rent, and utilities. (See our report on inflation[7].)

Employment

Stable, constructive employment is the foundation for individual financial stability. The nature of that employment, though, can have significant implications on whether an individual feels like they are making meaningful financial progress.

Income: It's no surprise that people feeling "more secure" are more likely to report that their income increased in the prior year. How this increased income came about is also very telling.

For both prime and non-prime, “more secure” consumers were much more likely to be households that had at least one person start a new job. This is true for both households who had someone lose a job and those that did not.

Benefits: Employee benefits rated a little differently for prime and non-prime, but every benefit being subsidized or discounted by the employer rated higher for those that are “more secure” than for those that are “about the same”. Interestingly, neither group cited medical insurance as the largest difference maker. Actually, the employer subsidized benefits that really made a difference to those labeled “more secure” are short-term and long-term disability, life insurance, and pension plans.

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Conclusion

In the current environment of financial uncertainty below are steps that could be taken to bolster consumer confidence:

- Financial services companies can commit to providing credit to those in need.
- Banks can recommit to providing meaningful service levels.
- Employers can expand their benefits packages to provide long-term features.
- Policymakers can implement programs that will reinforce consumer choice and empowerment.

Appendix

	Question	Response	Non-prime: About the Same	Non-prime: More Secure	Non-prime: Index	Prime: About the Same	Prime: More Secure	Prime: Index
Credit and Debt	How has your personal credit rating changed over the past 12 months?	My credit has improved a lot	5.0%	24.2%	4.8	9.7%	48.3%	5.0
	How confident are you that you could obtain the following sources of credit if you wanted to? - I definitely could	Auto loan	12.7%	23.6%	1.9	44.2%	50.4%	1.1
		Mortgage	9.6%	19.6%	2.0	35.8%	46.1%	1.3
		New Credit Card	13.5%	27.5%	2.0	48.9%	56.1%	1.1
	Which of the following forms of debt do you currently carry?	Payday loan	9.2%	14.6%	1.6	6.1%	12.3%	2.0
		Bank loan	9.4%	14.4%	1.5	10.9%	18.3%	1.7
		Short-term installment loan	6.5%	9.4%	1.4	5.6%	11.4%	2.0
		Credit card (carrying a balance from last month)	36.2%	39.0%	1.1	33.8%	39.9%	1.2
Financial Outlook	How much strain do the following costs place on your month-to-month finances? - A lot of strain	Housing (mortgage or rent)	27.2%	24.4%	0.9	22.3%	23.1%	1.0
		Groceries	24.0%	23.3%	1.0	19.1%	22.6%	1.2
		Gas for your car	27.7%	22.3%	0.8	21.4%	23.0%	1.1
		Utilities (gas, electric, water)	31.1%	25.2%	0.8	21.7%	21.1%	1.0
	How much do you agree or disagree with the following statements? - Strongly agree	I will have enough saved to retire by the time I reach 70	10.4%	26.5%	2.5	15.5%	38.8%	2.5
		I will purchase a home in the next 12 months	8.2%	21.9%	2.7	6.9%	26.3%	3.8
		I am confident I will have enough saved for my children to attend college debt-free	8.9%	25.6%	2.9	10.6%	36.5%	3.4
		I am confident that I can meet my short-term saving goals	11.5%	30.8%	2.7	18.3%	43.6%	2.4
	Please indicate your level of trust for the following institutions: - I trust them completely	National Banks (e.g. Chase, Bank or America, etc)	15.5%	28.2%	1.8	20.6%	39.4%	1.9
		Small / regional banks (e.g., local banking brand)	13.9%	22.4%	1.6	17.6%	31.9%	1.8
		Credit Unions	20.7%	32.8%	1.6	27.8%	41.8%	1.5
		Online banks (e.g. Chime, Varo, etc.)	13.8%	25.4%	1.8	11.0%	31.0%	2.8
	Thinking about the bank or credit union you use for your daily finances, how much do you agree or disagree with each of the following statements? - Completely Agree	They provide me with great service	27.1%	43.8%	1.6	33.9%	46.6%	1.4
		They are the most convenient banking option for me	25.7%	41.1%	1.6	30.2%	43.0%	1.4
		They are the best banking option for me	24.5%	38.4%	1.6	28.2%	41.2%	1.5
		They are happy to work with me	24.5%	39.9%	1.6	33.4%	46.4%	1.4
Employment	Which of the following employment events occurred to you or your spouse/partner in the past 12 months? - One or Both	Started a new job	28.1%	45.4%	1.6	25.6%	46.8%	1.8
		Started a new job and Lost a job (e.g., laid off) with or without severance	17.5%	25.8%	1.5	15.6%	30.4%	1.9
		Started a new job and not Lost a job (e.g., laid off) with or without severance	10.6%	19.6%	1.8	10.0%	16.4%	1.6
	How, if at all, are the following benefits provided by either your or your partner's employer?	Medical insurance	30.0%	40.4%	1.3	48.5%	58.4%	1.2
		Life insurance	19.9%	29.4%	1.5	30.5%	43.5%	1.4
		Pension	14.7%	25.4%	1.7	25.3%	38.1%	1.5
		Long-term disability insurance	17.5%	26.7%	1.5	26.0%	40.3%	1.6

*The percentages shown represent the percent of consumers with each response within their respective classification based on their answer to the question "Compared to a year ago, how do you feel financially? Less Secure, About the Same, More Secure." The index provided is the percent of "More Secure" consumers with the response divided by the percent of "About the Same" consumers with that response. An index of 1 implies that the response was equally likely.

Footnotes

1 Inflation Reaches 8.6% in May: CPI Live Updates. (n.d.). WSJ; www.wsj.com. Retrieved June 24, 2022, from https://www.wsj.com/livecoverage/stock-market-news-inflation-consumer-price-index-may-2022

2 Olick, D. (2022, May 31). Home prices surged in March as interest rates also rose: S&P Case-Shiller. CNBC; www.cnbc.com. https://www.cnbc.com/2022/05/31/home-prices-surged-in-march-as-interest-rates-also-rose-sp-case-shiller.html

3 US Fed raises interest rates to fight 40-year-high inflation | World Economic Forum. (2022, June 22). World Economic Forum; www.weforum.org. https://www.weforum.org/agenda/2022/06/rates-inflation-federal-reserve-united-states

4 Trapasso, Clare. “Rental Prices Hit Another Record High, but There is Some Good News for Renters.” Relator.com, June 22, 2022. https://www.realtor.com/news/trends/rental-prices-hit-another-record-high-but-there-is-good-news-for-renters/

5 Schnipper, Scott. “The S&P 500 Is Now in an Official Bear Market, According to S&P Dow Jones Indices.” CNBC. CNBC, June 13, 2022. https://www.cnbc.com/2022/06/13/sp-500-is-in-official-bear-market-according-to-sp-dow-jones-indices.html.

6 Anklesaria Aiyar, Swaminathan S. “Why US is no longer heading for a recession but is actually in a recession.” The Economic Times, June 21, 2022. https://economictimes.indiatimes.com/opinion/et-commentary/why-us-is-no-longer-heading-for-a-recession-but-is-actually-in-a-recession/articleshow/92369558.cms

7 Walker, Jonathan. “Americans Feeling the Sting of Inflation in Gas, Healthcare Costs” March 2022. https://www.newmiddleclass.org/americans-feeling-the-sting-of-inflation-in-gas-healthcare-costs/

The tracker index is a longitudinal study measuring all aspects of American household finances. It collects responses from prime and non-prime consumers every month and has been running since September 2018. This analysis included 6,327 completed surveys of a questionnaire which measures over 50 variables related to personal and household finances collected between April 1, 2021 and May 23, 2022.

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Elevate's Center for the New Middle Class (CNMC) is a non-profit research group sponsored by Elevate Credit (ELVT). The CNMC's mission is to research the challenges, behaviors, and attitudes of American household finances, especially the impact of credit constraint on households' financial resilience. Our studies can be accessed on our website NewMiddleClass.org or you can contact us directly with the email address NewMiddleClass@elevate.com.