QUARTERLY REPORT

The State of *Personal Finance* Q1/Q2

RAMSEY™ SOLUTIONS

Introduction

SIX MONTHS IN AND 2022 IS SHAPING UP TO BE A YEAR OF uncertainty and worry for Americans when it comes to their personal finances. Money issues from the end of 2021 (like rising inflation) followed people into the first quarter of 2022. Then, in the second quarter, inflation climbed to 40-year highs while housing prices continued their rapid rise—fanning the flame of economic insecurity and putting pressure on Americans who were just trying to keep up with their bills.

The latest edition of The State of Personal Finance 2022 examines how Americans are handling their financial struggles and what they're doing to change habits and brace for what they believe might come next. Based on research Ramsey Solutions did over the past 18 months, it's clear that Americans' money struggles have gotten worse in all areas.

In connection with the theme of financial struggles, the study also looks at the quickly changing job market (which is still feeling the effects of the Great Resignation), as well as people's overall outlook on the real estate market and on perceptions of legislation for student loan debt.

The most recent information in this study—which is from the second quarter of 2022—will be featured first, followed by the first-quarter findings.

Executive Summary

SECTION ONE: Q2 2022 FINDINGS

- **There's been a negative upward trend** in many areas of Americans' financial states over the last 18 months.
- **One in 3 Americans said they're either struggling or in a crisis** with their personal finances, and over half said they had difficulty paying their bills.
- Housing is another source of stress, with **62% of renters finding it hard to cover rent** (up 15 points from 18 months ago).
- **Gen X is struggling the most** in the current economic situation.
- When asked what their two biggest financial challenges were, **40% of Americans reported inflation** was their top challenge, followed closely by cost of living (39%).
- **Most Americans are cutting back** on expenses to make ends meet, with most (70%) cutting back on travel.

- **Nearly 6 in 10 Americans (59%) said they worry about their general finances daily** (a 15-point increase from 18 months ago), and about half have lost sleep in the last three months due to financial worries.
- **Eight in 10 Americans** (84%) are concerned about how a recession will impact their household, and 75% said it would have a significant negative impact.
- **When it comes to the real estate market,** most Americans were pessimistic—with only 24% saying they're optimistic about the market in their area.
- The Great Resignation was still hanging over the job market, with **57% of Americans considering changing jobs**.

SECTION TWO: Q1 2022 FINDINGS

- People saw the real impact of inflation on their spending and adjusted accordingly—**from groceries to summer vacation plans**.
- Despite the rise in inflation, **more than a third of consumers admitted to making impulse purchases** while shopping.
- For those who expected to receive a refund from their 2020 tax return, **half said they planned to use it to cover bills or debt**.
- People most often turned to **family members and friends** for financial advice (33% and 25%, respectively).
- **Interest in cryptocurrency continued to increase** (up two percentage points from last quarter and 15 percentage points from the same time last year).
- A majority of Americans with student loan debt (77%) believe at least some of their debt will be forgiven by the federal government. **But 4 in 10 said they were still extremely worried about having to make payments on their loans again.**
- **Remote work has begun to affect the real estate market,** with more than one-third of those who work remotely saying remote work gave them the flexibility to move away from where their job is based.

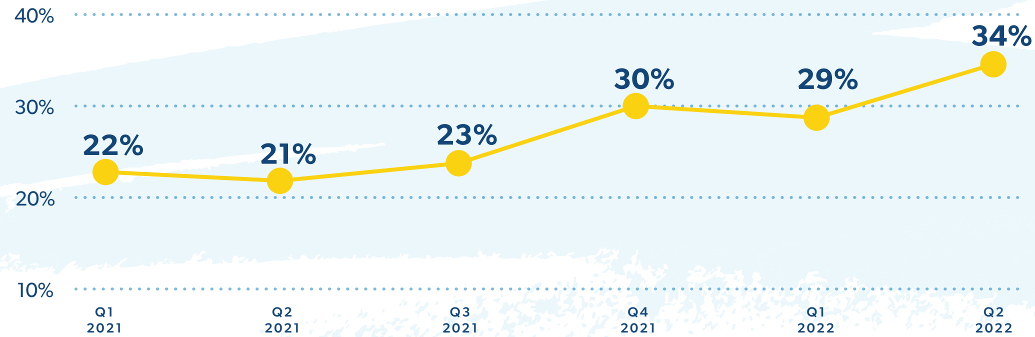
SECTION ONE: Q2 2022 FINDINGS

The Struggle With Finances Is Real . . . and Increasing

The daily struggle with money became more difficult for many Americans in the second quarter of 2022. One in 3 said they're either struggling or in a crisis with their money. And the trend is moving steadily upward with a 12-point increase from the first quarter of 2021.

Americans Trying to Make Ends Meet

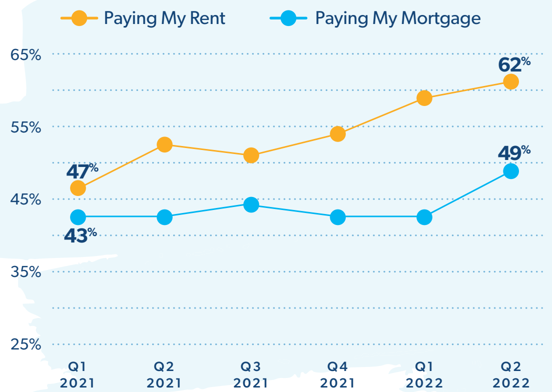
Percentage of Americans who said they're "struggling/in crisis" when it comes to their personal finances.

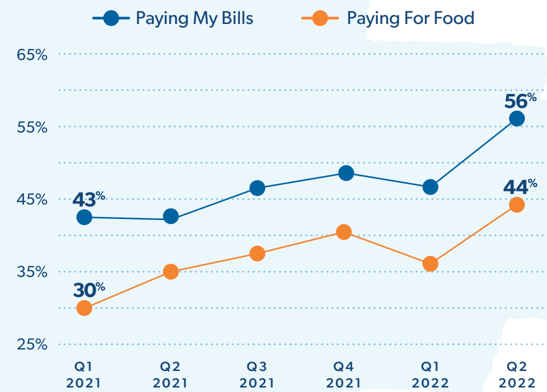


Over half of Americans (56%) said they had difficulty paying their regular bills overall—but specifically, the number of people who said they struggled to pay for necessities like food and housing is on the rise. About 44% had trouble paying for food, up nearly 14 points from 18 months ago. And 6 in 10 renters said their housing costs were a strain (up 15 points) while nearly half of homeowners with mortgages (49%) found it hard to make their monthly payments (up six points).

More Americans Struggling to Cover Basic Needs

Percentage of Americans who said, "In the past three months, I have had difficulty . . ."





Younger Americans had the most trouble covering the basics when compared to their baby boomer parents and grandparents. Over 60% each of Gen X, millennials and Gen Z (64%, 64% and 67%, respectively) had difficulty paying their bills, compared to only 39% of baby boomers. About half of the younger generations (55% of Gen Z, 49% of millennials and 56% of Gen X) said they had trouble paying for food compared to only about a quarter of baby boomers (24%). Gen Z struggled the most with their mortgage payments (77%), and Gen X had the most difficulty paying rent (72%).

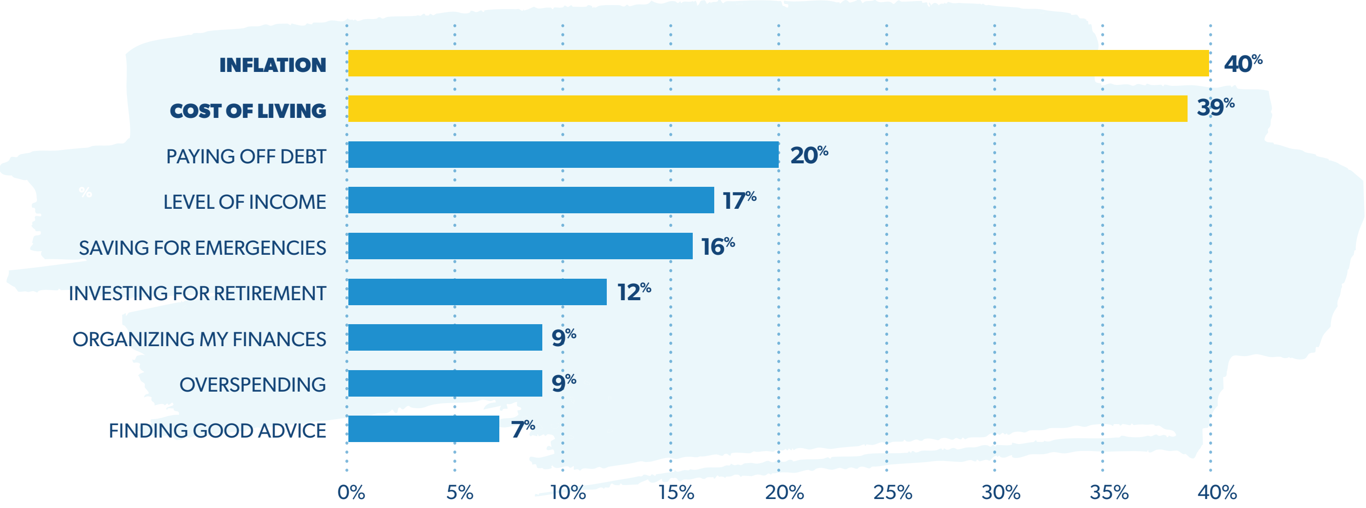
Just like with most things, debt made these issues even worse. People with debt had more trouble keeping their bills paid (66%) than those without debt (43%). The same was also true for people who were paying for a mortgage (53% vs. 36%), rent (64% vs. 57%) and food (52% vs. 32%).

Inflation and Cost of Living Are the Biggest Financial Problems

Americans' two biggest challenges in paying for basic needs were inflation (40%) and cost of living (39%).

Inflation and Cost of Living Named Top Money Problems

When asked, "What are your top two challenges currently when it comes to your personal finances?"



Consumers felt the effects of inflation the most, with 85% saying it had at least some effect on their finances—up three points from last quarter. In fact, inflation's impact on Americans' budgets has been trending up for the last three quarters.

Americans Are Cutting Back on Expenses

As inflation continues to sap Americans' spending power, most people have cut back on expenses to make ends meet, starting with travel. Seven in 10 said they cut back on their travel plans in the second quarter, continuing the trend from the first quarter. Other adjustments include not purchasing an item they had originally planned to purchase (41%) and reducing their monthly savings (33%) or debt payment amount (25%). Almost a quarter (22%) said they cut back on how much they're putting away for retirement.

The money challenges of the last quarter encouraged many to keep better track of their money. Nearly three-quarters (73%) reported changes in their spending, saving, budgeting or other money-related behaviors. And almost one-third (32%) said they started budgeting in some way.

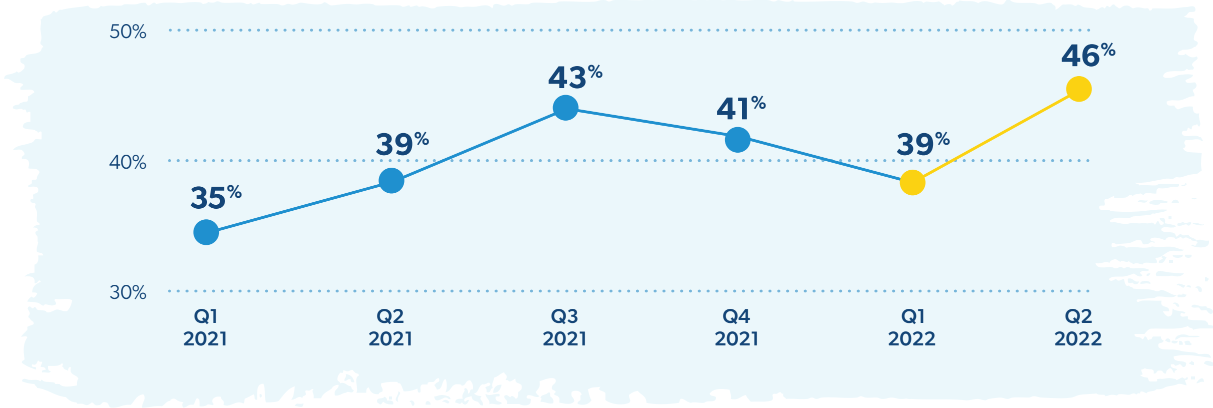
Americans also found other ways to make their budgets work—some more helpful than others. Twenty percent (20%) said they took on a second job or a side hustle to boost their income. Twenty-seven percent (27%) began selling items they had around the house. Twenty-five percent (25%) said they used a credit card for a purchase they would normally pay for with cash. And 15% took on new debt to pay bills.

Worries About Money Are Rising

As the number of people struggling to pay for their basic needs grows, worry and anxiety about money are also on the rise. Nearly 6 in 10 Americans (59%) said they worry about their general finances daily—a 15-point increase from 18 months ago. Almost half (46%) have lost sleep in the last three months from worrying about money, which is an 11-point increase from 18 months ago. And 59% believe they can't get ahead with their finances, which leads them to live paycheck to paycheck and not save as much as a result.

Half of Americans Losing Sleep Over Money Problems

Percentage of Americans who say, "My personal finances have caused me to lose sleep in the last three months."



Americans Fear a Recession and Feel Unprepared for One

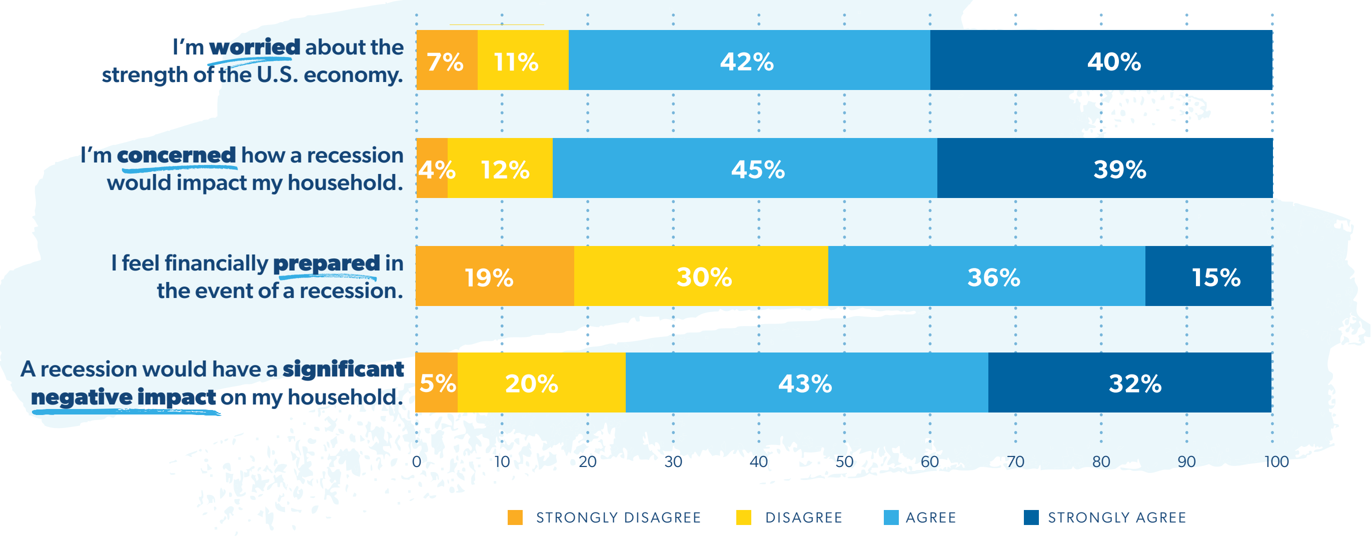
The reality of many Americans' financial situations and the resulting stress and anxiety are reflected in their feelings about the economy overall—especially when it comes to a possible recession. More than 8 in 10 Americans (82%) are worried about the strength of the economy.

Not surprisingly, another 8 in 10 Americans (84%) are also concerned about how a recession will impact their household, with 75% saying a recession would have a significant negative impact. On the flip side, a little over half (51%) said they're financially prepared for a recession.

Again, the burden of debt plays a big role in Americans' outlook. People who were debt-free were less likely to say a recession would have a negative impact on them (66%) compared to those who had debt (82%).

8 in 10 Americans Worried About Strength of the Economy

Based on their level of agreement when asked the following questions.

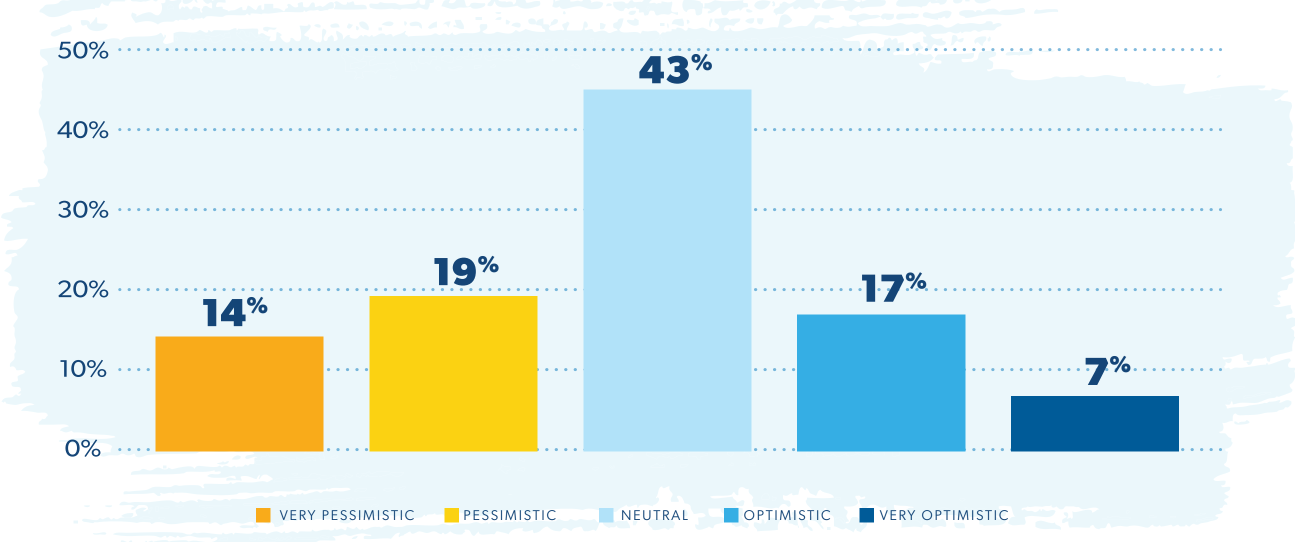


The American Dream Seems Further Away

Americans' uncertainty and stress around the country's current economic situation carried over to their outlook on the real estate market. Most Americans were pessimistic about real estate—with only 24% saying they were optimistic about the market in their area. And half (51%) said the American Dream of owning a home isn't possible for most adults right now.

Only 24% Optimistic About Real Estate Market

When asked, "How do you feel about the real estate market in your area currently?"



Digging deeper, 65% of Americans said it's more difficult to own a home today compared to past decades. The significant and steady price increases in the housing market over the last two years are top factors in people's pessimistic perceptions, with 61% saying now isn't a good time to buy a house and almost three-quarters (73%) believing housing prices will increase even more over the next year.

Completely opposite of the generational patterns found so far in this study, baby boomers were actually the most pessimistic generation about the real estate market. Seventy-seven percent (77%) said homeownership is difficult, which was significantly higher than the younger generations (59% of Gen Z, 54% of millennials and 66% of Gen X). Seventy-one percent (71%) of baby boomers didn't think it was a good time to buy a house—compared to 55% of Gen Z, 50% of millennials and 65% of Gen X.

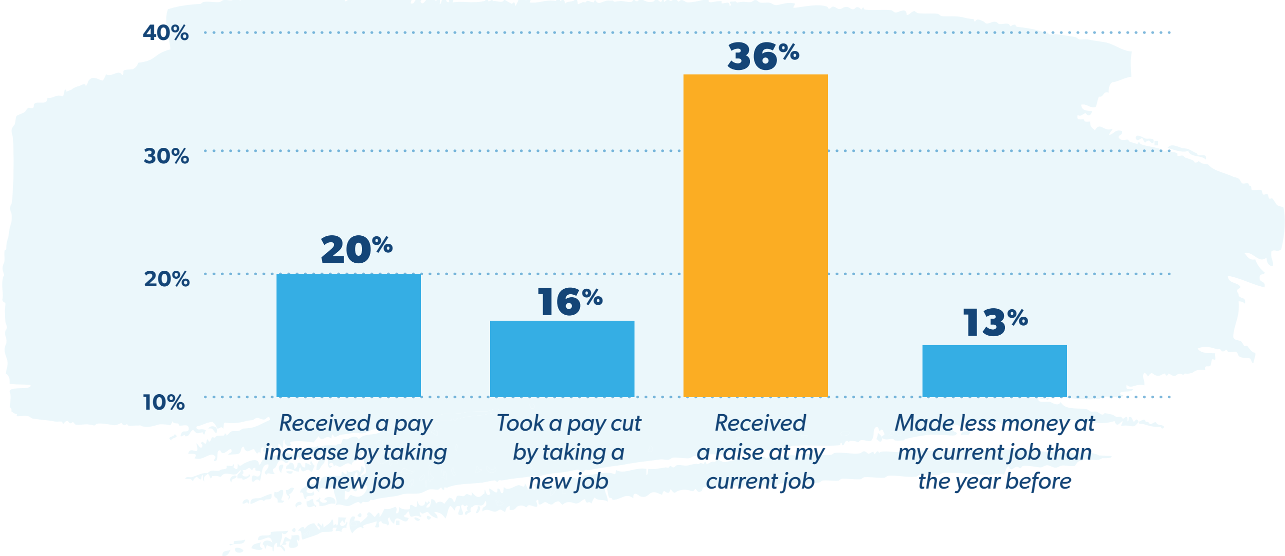
Job Dissatisfaction Is Leading to Shifting Jobs and Shifting Income

Despite (or maybe because of) concerns about the country's economic situation, the Great Resignation is still a major force in the American job market. Well over half (57%) of Americans were considering leaving their current job, and just over a quarter (27%) took the plunge and changed their jobs in the past 12 months.

But there's another side to the career coin: The new jobs that Americans are landing don't always improve their personal finance situation. Of the people who changed jobs in the past 12 months, 20% said they received a pay increase while 16% took a pay cut to land a new job.

The Great Resignation Is Having Mixed Results

Based on responses when asked if any of the following apply in the past 12 months.



SECTION TWO: Q1 2022 FINDINGS

Inflation Problems Are Front and Center

The shadow of rising inflation continued to play a major role in the financial decisions of most American consumers. The sharp increase in prices led to a nearly 10% increase in the number of people who noticed the effects of inflation this quarter over last quarter, with people feeling the most pain at the gas pump and the grocery store. Eight in 10 said inflation had an impact on their day-to-day finances. And one-third reported that inflation made a significant impact on their financial decisions.

People also found ways to supplement their take-home pay to cover the increased costs. Thirteen percent (13%) said they got a side hustle or second job on top of their regular full-time job in response to inflation. And 1 in 10 took on new debt to cover rising costs.

80% said inflation had an impact on their day-to-day finances.

As with most things, debt made the effects of inflation even worse. Those with consumer debt were nearly twice as likely (40%) to say inflation had a significant impact on their day-to-day-finances compared to those who are debt-free (23%). Because of the rising prices caused by inflation, 1 in 4 people with debt cut back on the amount they put toward paying off their debt, and 1 in 5 relied on credit cards to buy something they would normally pay for with cash. However, 1 in 4 have also started budgeting to track their spending.

The stress caused by increased spending due to inflation also led to increased anxiety among consumers. A majority (60%) said they were anxious about how they were going to pay for things because of inflation.

Inflation's Impact on Consumer Spending Is Far-Reaching

With prices rising on everyday goods and services, consumers looked for ways to lessen the impact on their family's budgets by really thinking about the ways they spend money. Four out of 5 Americans said inflation changed the way they shop for groceries, with 39% saying they cut back on nonessential grocery and food items. Nearly one-third said they either delayed or canceled a future purchase.

4 OUT OF 5 AMERICANS SAID

inflation changed the way they shop for groceries.

39% said they've had to cut back on nonessential grocery and food items.

Compared to last year around the same time, people spent more on groceries, utilities and transportation in Q1 of 2022. On the other end of the spectrum, people spent less on nonessential items like eating out, entertainment and travel—though the number of people spending less on those items was decidedly fewer. For example, in the top spots on both ends, 57% said they spent more on groceries, but only 33% said they spent less on eating out.

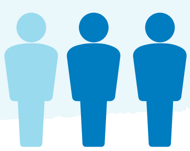
Inflation also impacted summer vacation spending plans. While 6 in 10 were planning to travel this summer, half are increasing their travel budget or completely changing their travel plans to offset higher prices. Despite the increase in gas prices, 12% more people plan to drive to their destinations rather than fly.

Impulse Buying Continues Despite Inflation Concerns

Even though people changed their spending habits to combat inflation, impulse buying was still common. More than a third of consumers admitted to making at least one impulse purchase in the last three months—the majority of which were food items found while shopping in a store. Nearly one-quarter of consumers made impulse purchases on social media, with 30% of millennials in particular admitting to these types of purchases.

Impulse buying also has a psychological component. The majority of people who made impulse purchases (60%) said they felt guilty about it—and 53% regretted making the purchase. Sixty-four percent (64%) said they were likely to make impulse purchases when stressed. However, among people who budget their money, 85% said budgeting helped control their impulse buying.

A majority of **BUY NOW, PAY LATER USERS had trouble maintaining their payments.**



Two-thirds admitted they were **still paying for an item** they bought with a BNPL service even after **they no longer owned** the item.

The popularity of buy now, pay later (BNPL) services remained steady despite increased inflation, with the number of people who used them hovering around 21%. A majority of BNPL users (79%) preferred the service over using a credit card. But a majority (60%) also had trouble managing their payments. Two-thirds admitted they were still paying for an item they bought with a BNPL service even after they no longer owned the item.

Tax Refunds Come In . . . and Go Out to Savings and Bills

The beginning of the year also brought the launch of the 2021 tax season. Of the people who had filed their 2021 taxes at the time of the survey, 7 in 10 expected to receive a refund.

In a possible reaction to the uncertain financial times, 47% said they planned to save their refund. And half said they would use their refund to cover bills—either paying everyday expenses or paying down debt.

Consumers Are Looking for Reliable Financial Information

In this time of financial uncertainty and worries about inflation, people are looking for sources they truly trust for advice on what to do with their money. The most popular sources of financial advice in the first quarter of 2022 were family (33%) and friends (25%). Four in 10 said they don't have anyone to turn to for financial advice. Younger generations (Gen Z and millennials) especially lacked trustworthy financial sources, with about half of them saying they had no one to turn to.

Consumers, especially the younger generations, increasingly looked to content on social media for financial advice. One-third said they implemented financial advice they found from someone they follow on social media. YouTube had the most influence in all generations. It was as popular as an actual financial advisor and considered just as trustworthy. Gen Z was the most likely to get money advice from YouTube (43%), followed by millennials (37%), Gen X (20%) and baby boomers (6%).

Investment in Cryptocurrency Is on the Rise

Interest in cryptocurrency as an investment strategy continued to rise steadily. One in 4 investors said they had purchased crypto—up two percentage points from the previous quarter and up 15 percentage points from the same time last year. Millennials led the pack in crypto interest (40%), followed by Gen Z (37%), Gen X (23%) and baby boomers (2%).

Student Loan Deferments Create an Uncertain Certainty

Outstanding student loan debt was also a source of financial stress for Americans in Q1. Three-fourths of those who took out student loan debt are still paying on their loans. But since the start of the COVID-19 pandemic in March of 2020, federal student loan payments have been paused by the federal government. With the pandemic getting further and further in the rearview mirror, those payments were scheduled to restart in May 2022. Then the government extended the moratorium through August 2022.

The Q1 State of Personal Finance survey was conducted before the government announced the most recent extension of the moratorium. At that time, 4 in 10 people with student loan debt said they were extremely worried about their loan payments restarting. And 3 in 10 said they weren't prepared to start making payments again. Most borrowers (77%) are holding out hope that at least some of their student loan debt will eventually be forgiven.

Trends Point to Continued Job Dissatisfaction and Remote Work Favorability

The 2021 Great Resignation brought on in the wake of the COVID-19 pandemic didn't seem to lose any steam going into 2022. Less than half of Americans (40%) were extremely satisfied with their jobs, and half were considering changing their jobs—a result consistent with the last two times Ramsey Solutions surveyed this question in The State of Work and The State of Financial Wellness studies. There was also very little difference in current levels of satisfaction between those who changed jobs and those who didn't. Among the generations, Gen Z (65%) and millennials (60%) were the most likely to consider changing jobs.

__4 in 10 fully remote workers__ said they would be

EXTREMELY LIKELY TO QUIT THEIR CURRENT JOB

if it transitioned to a fully on-site role.

Many employees are facing a change in their work situation as companies plan to transition workers back to working on-site. Forty-five percent (45%) of fully remote workers said their employer plans to return employees to an on-site location soon. While a slim majority still listed their primary working environment as fully on-site (52%), those who had been working from home had gotten used to the freedom it brought them, and most would like to see that way of working continue. In fact, 4 in 10 fully remote workers said they would be extremely likely to quit their current job if it transitioned to a fully on-site role.

The Real Estate Market Is Impacted by Remote Work

The remote working trend has also influenced the real estate market, as job location is now less of a factor when people are deciding where to live. Almost half (44%) said the ability to work remotely has impacted their decision about where to live, and over one-third (37%) said they moved away from where their job was based because of their ability to work from home.

44%

Almost half said working remotely has impacted their decision about where to live.

However, with the real estate market's surging prices and mortgage interest rates rising, there's also a lot of uncertainty. A large number of both buyers (46%) and sellers (43%) reported being pessimistic about the real estate market.

Conclusion

The current state of personal finance in America is full of worry—and it's been on a negative upward trend over the past 18 months. Inflation concerns have also cast a big shadow over everything, making consumers nervous about how to pay for things like grocery shopping and vacation planning. Many are finding it stressful to pay their bills and, as a result, are cutting back on expenses, with some losing sleep in the process. The worries have hit Gen Xers especially—because they've been struggling the most in the current economic climate compared to their baby boomer parents and grandparents.

From the job market to real estate to student loans, a big cloud of mystery is hanging over Americans, with most consumers hunkering down and adjusting their spending accordingly. The country's bearish economic situation has contributed to Americans' pessimistic perception of the housing market. Along with that, half of Americans believe the American Dream of owning a home might be beyond their reach, and more are convinced that now isn't a good time to buy a house. But despite the fact that inflation continues to rise, people are only spending slightly less on nonessentials.

ABOUT THE STUDY

The State of Personal Finance is a quarterly research study conducted by Ramsey Solutions with 2,013 U.S. adults to gain an understanding of the personal finance behaviors and attitudes of Americans. The nationally representative sample was fielded from March 28 to April 5, 2022 (Q1), and from June 30 to July 8, 2022 (Q2), using a third-party research panel.