

Financial woes grow worse during pandemic for American families

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The economic challenges caused by the coronavirus pandemic have grown worse since the spring for many American families, with an increasing number reporting that they have trouble paying bills,

according to a new RAND Corporation study.

Surveyed several times over the course of the pandemic, nearly 45% of study participants report that they had difficulty paying bills at some point since February and 13% reported it had been very difficult to pay bills at some point during the period.

Preliminary results from another wave of the survey conducted in early December suggests that many people plan to spend less than usual on holiday gifts this year, which also could indicate continuing [financial hardship](#).

"Despite some recent increases in employment and [consumer spending](#), many American families continue to struggle financially," said Katherine G. Carman, the study's lead author and a senior economist at RAND, a nonprofit research organization. "The challenges are particularly severe among lower income workers, and among Black and Hispanic households."

The survey was fielded using the RAND American Life Panel, a nationally representative internet panel, to assess the effects of the COVID-19 pandemic on individuals and households across a variety of topics.

The RAND study analyzes results from 1,277 people who were working during February 2020 and were asked them about their finances during May, June, August and September.

The number of Americans who reported troubles paying bills increased from 27% in May (7% reported that it was very difficult and 20% that it was somewhat difficult) to 32% in September (9% reported that it was very difficult and 23% that it was somewhat difficult).

Researchers found that people who report financial difficulties were more likely to turn to formal credit such as [credit cards](#) or payday loans, in addition to informal methods such as borrowing from friends or selling belongings. Over time, those who report [financial difficulty](#) became even more likely to turn to one of these strategies or to report that they could not cover expenses at all.

For example, among those reporting trouble paying bills, the number of people who reported using formal credit to meet obligations rose from 41% in May to 47% in September. Those reporting they could not pay their bills rose from 25% in May to 30% in September.

Only those who had experienced financial difficulties reported that they have asked or would ask for an extension in paying their rent or mortgage, both of which are easier under the terms of the CARES act.

People who reported using stimulus funds declined over time, likely because people had already spent the funds or because they had become less salient.

Researchers say the differences across racial groups was striking. In May, 20% of Non-Hispanic White respondents reported financial difficulties, compared with 42% of Non-Hispanic Black respondents and 47% of Hispanic respondents.

As in the overall sample, the share of Americans who reported financial difficulties at any point during the four waves of the study is about 15 percentage points higher than the share who experience difficulty in the first wave, for all three of the racial groups.

Unsurprisingly, financial difficulties were more common among lower income households. Among study participants who were working in February, more than 70% of low-income households (under \$25,000 in

annual income) reported financial difficulties at some point during the four waves of the survey.

Meanwhile, 47% of middle-income households (income between \$25,000 and \$125,000), and 20% of high-income households (income above \$125,000) reported financial difficulties at some point from May to September.

Provided by RAND Corporation

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