INSIGHTS
CENTER

The Road to Recovery

2021
Report

The results of an ongoing, nationally representative study by the **Capital One Insights Center** show that although the pandemic's economic fallout was widespread, lower earners and a concentrated share of middle earners experienced more financial distress than higher earners.

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A Nation Changed

In a mere 18 months since the first news reports began appearing of a new, potentially troublesome virus in January 2020, the coronavirus has killed 4.2 million and sickened more than 200 million worldwide. By late spring 2021, the United States was beginning to emerge from the pandemic's grip, albeit a changed nation. In the months that followed, however, the spread of the Delta variant continued to tear a hole through the steady improvement in COVID-19 outcomes the nation had enjoyed. By July 2021, the Centers for Disease Control reported that the highly contagious Delta variant accounted for more than 80% of all new COVID-19 cases in the United States. In fall 2021, uncertainty over the trajectory of the pandemic continues to loom.

Every 4-8 weeks since spring 2020, the Center has surveyed 2,000-10,000 nationally representative U.S. respondents on a range of pandemic-related topics.

Since spring 2020, the **Capital One Insights Center** has conducted studies every four to eight weeks with a nationally representative group of U.S. respondents (based on income level, race, gender, education, age and geographic region) on a range of topics from job loss to how they used government stimulus to their outlook on economic recovery.

The resulting study—The Capital One Marketplace Index—divides these Americans into three income groups to better understand the impacts:

1

Lower earners making

<$25K

in household income annually

2

Low-to-high middle earners, hereinafter referred to as “middle earners”, making

$25K-$100K

in household income annually

3

Higher earners making

$100K+

in household income annually

The analysis also includes a selection of findings related to race and gender among those with household incomes of $50,000 or less.[1]

[1] The study’s income groupings (lower earners, middle earners and higher earners) serve as shorthand definitions for simplicity. This paper compares experiences and outcomes among these three income groups to clearly highlight trends in the data and group consumers in similar circumstances together. It is important to note that the financial experiences within these groups do vary and cannot be monolithically defined by this analysis alone. These definitions are not meant to conform to standardized income distribution groups as set by the U.S. Census or Department of Housing and Urban Development, for example. However, the segmentation used in this paper is related to relevant financial metrics such as the median U.S. household income which does vary by geography but was $68,400 in 2020, leading to a middle class definition of $34,200 to $136,800. This measure of the middle class is based on half of the median household income to twice the median household income (source: United States Census Bureau's Annual ASEC survey; University of Minnesota's Minnesota Population Center).

With seismic shifts to the way Americans live and work underway this fall— from workers returning to the office, to students returning to school, to the end of several COVID-era relief programs—shifts in behavior, sentiment and outlook will undoubtedly continue to change. While certainly in flux, the findings of this report are meant to capture the degree to which the pandemic has altered Americans' financial health and impacted their economic outlook over the past 18 months. The findings reveal both a shared experience, but also one that ***ultimately impacted lower and middle earners notably more.***

Key Findings:

- **While income and job losses were widespread across all income groups, recovery has been significantly slower for lower earners.** Income loss among Americans was widespread in spring 2020—32%-36% of all Americans reported their incomes had disappeared or decreased. Yet a year later, while lower earners have seen relatively little improvement, the share of middle and higher earners reporting income loss has been halved.

- **Underemployment was widespread, particularly among Hispanic/Latinx & Black workers.** Americans were working, but many were underemployed, particularly Hispanic/Latinx and Black workers, who were 12 percentage points more likely than White workers (46% vs. 34%) to report being underemployed at some point during the pandemic.

- **Jobs still feel less secure for lower earners.** Unlike for middle and higher earners, lower earners felt slightly less secure in their job by August 2021 (55%) than they did early in the pandemic (61%).

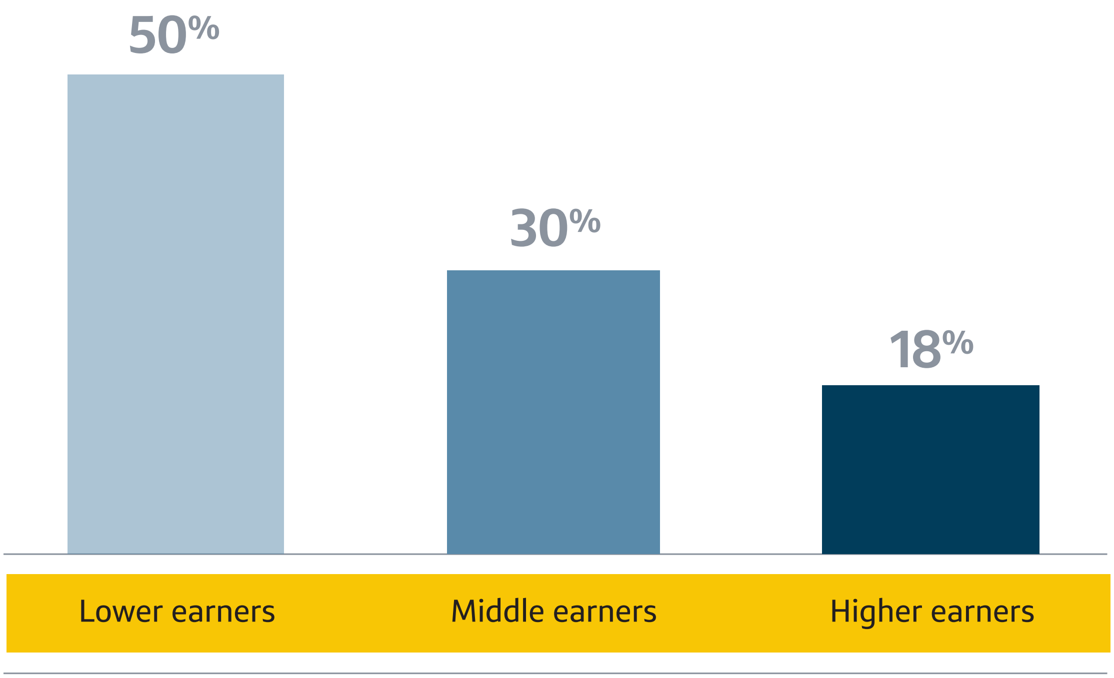
- **Key drivers of increased housing expenditures are unequal across incomes, gender and race.** While similar shares of lower and higher earners are spending more on their mortgage or rent because of the pandemic (16% and 15%, respectively), there is great disparity in the autonomy of these housing cost increases. Nearly half of the higher earners (41%) reported spending more because of a personal choice, like choosing to move to a bigger house during quarantine, compared to just 7% of lower earners reporting the same. More than three-quarters of lower earners reported spending more because of external forces, such as rent increases, catching up on payments or having to move (e.g., due to a new job location).

- **Eviction and other financial worries are mounting.** Income loss was a strain on many households and worries about paying bills rose over time for many, despite federal stimulus checks, unemployment insurance and forbearance programs. Approximately one-fourth of lower earners missed a payment or paid their rent late in August 2021, and 13% were worried about getting evicted despite government eviction moratoriums.

- **Many middle earners are still struggling.** While middle earners fared better than lower earners, they were not without stress and hardship. A small group was clearly struggling. Approximately one in five had more debt in spring 2021 than before the pandemic, and they were still struggling to pay bills by August 2021. Higher earners, on the other hand, were able to save money and reported few hardships, though worries about student loans and medical bills were growing as of August 2021.

Lack of child care has stymied many. As schools and child care centers shuttered, parents struggled to juggle new caregiving demands. In August 2021, 50% of lower earners and 30% of middle earners were still either cutting back hours or had stopped working altogether because they had children at home and presumably lacked outside child care. Only 18% of higher earners had done so. Nearly half (48%) of women earning $50,000 or less had cut back or stopped working compared to just one-third of men earning $50,000 or less.

Child care issues caused lower earners to cut back or stop working at more than double the rate of higher earners



Are you or someone else in your household working a different amount than before coronavirus because you have children at home (e.g. to teach or to take care of them)?

Sentiment about financial health varies meaningfully by income and gender. Reports of feeling "financially unhealthy" dropped sharply (by 50%) among higher earners between the early months of the pandemic and August 2021. Lower earners, in contrast, saw no change, with 44% feeling financially unhealthy in August 2021 versus 42% early in the pandemic. Women's sense of financial health was deteriorating more over time than men's. Women earning $50,000 or less saw an 8 percentage point increase in feeling "financially unhealthy" over time, while men experienced a 13 percentage point improvement in their reported financial health.

But optimism about their household's ability to save is growing. Approximately 30% of Americans expected to save more over the next three months compared to just 12% who thought they would save less. While this trend is stronger for higher earners, 26% of lower earners expected their savings to increase in the next three months compared to 19% who expected it to decrease.

Optimism about household savings is growing across all segments, but at a slightly decreased rate for lower earners

Over the next 3 months, how much money will you keep in your savings accounts (versus today)?

As the results reveal, the pain has not been equally shared

The pandemic further exposed or exacerbated existing racial, income and gender disparities created by discrimination and historical structural barriers to jobs, educational opportunities and wealth-building paths, among other barriers. These disparities have left many lower-income families and people of color less resilient in the face of a global shock like the coronavirus pandemic. Additionally, the service industry was the hardest hit by the pandemic's economic shock, resulting in job loss, underemployment and lost income in industries that rely heavily on the labor market participation of these same groups.

While middle and higher earners are experiencing improvements in financial health and resilience, lower earners are seeing decreases across many of these indicators now, compared to the start of the pandemic

	April 2020			August 2021		
	Lower earners	Middle earners	Higher earners	Lower earners	Middle earners	Higher earners
Feel secure in job	61%	66%	78%	55%	74%	82%
Can cover bills and expenses	47%	65%	85%	46%	71%	87%
Have enough savings to last more than one month	54%	80%	94%	57%	79%	89%
Think financial health will improve	38%	54%	75%	39%	63%	82%

But as with all radical change, there is also opportunity

Jobs are returning, savings are growing and many workers have new leverage to demand higher wages as employers struggle to fill positions. After lagging for several years, entrepreneurship is growing—more Black entrepreneurs started new businesses in 2020 than at any time in the past. But it will take a continued commitment to ensure an inclusive recovery.

The following results from the Capital One Insights Center aim to inform data-driven decisions to help guide a path toward a more inclusive recovery

While it is important for decision makers to understand key social and economic pain points in the recovery, it is equally important to understand the nature of that pain point, such as key contributing factors and their interactions, affected communities and overall trends, as outlined in this study. In providing this comprehensive view, the ultimate goal is to better equip policymakers, nonprofits and industry leaders with robust, timely insights to make evidence-based decisions as they relate to COVID-19 restrictions, stimulus and government assistance and the overall reopening of the economy.

The results are presented in two sections—the first examines the impacts on lower earners ($0-$25,000 household income annually), and the second reviews the impacts on middle earners ($25,000-$100,000) and higher earners ($100,000+).

1

Lower earners making

<$25K

in household income annually

2

Low-to-high middle earners, hereinafter referred to as “middle earners”, making

$25K-$100K

in household income annually

Higher earners making

$100K+

in household income annually

1

Lower earners

$0-$25K

Household income annually

Lower earners: Inequity mounts as incomes disappear. Lower earners—earning less than $25,000—felt the pandemic's economic effects more significantly than higher-earning consumers, both in lost income, weaker job security, declining savings and increasing worries about paying bills. In August 2021, four in ten lower earners reported not having enough savings to last one month, and 13% worried about being evicted despite federal eviction moratoriums. That said, roughly one in five lower earners were also able to reduce household debt, likely helped by the three rounds of federal stimulus payments, expanded unemployment insurance and private-sector forbearance programs.

Early in the pandemic, across all income groups, **32%-36% reported either that their income had completely disappeared or had declined compared to the prior month.**

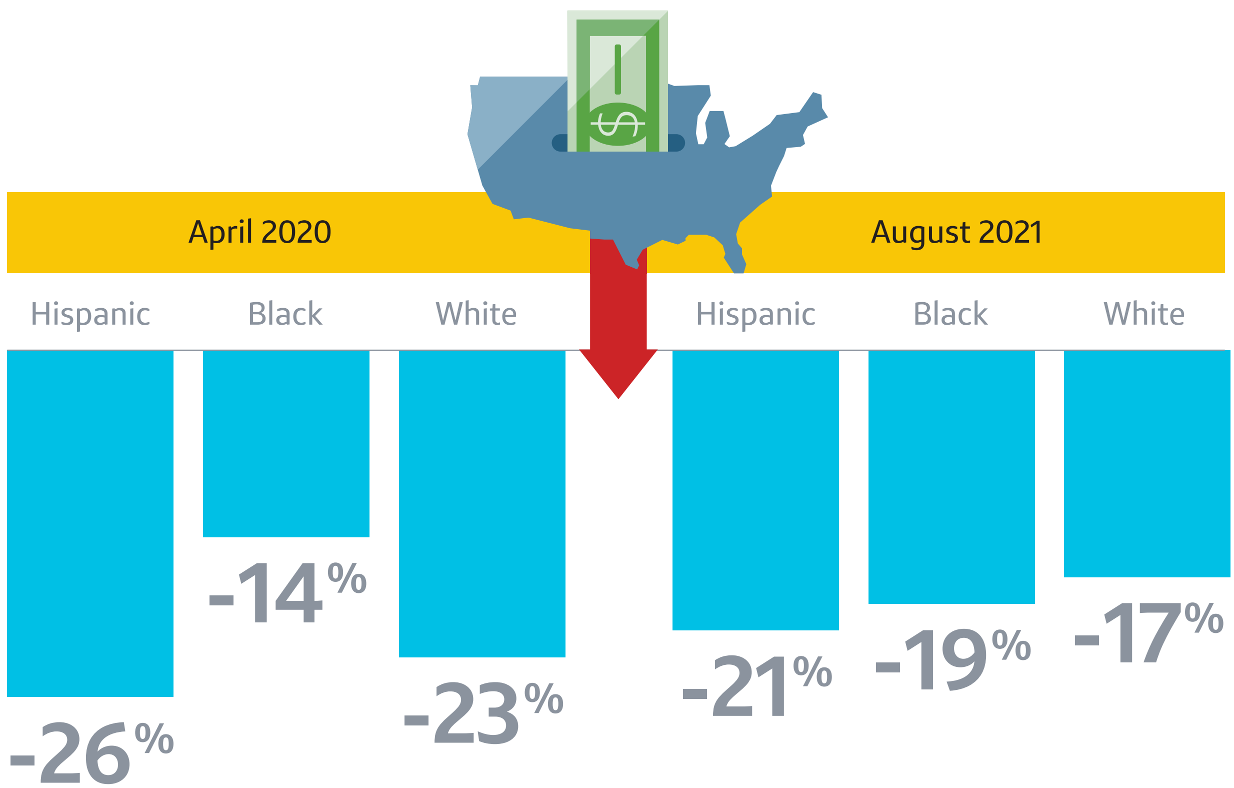
The Capital One Marketplace Index

The results are based on a set of repeated studies that the Capital One Insights Center conducted with U.S. consumers. Every 4-8 weeks since spring 2020, the Center surveyed 2,000-10,000 nationally representative U.S. respondents on a range of pandemic-related topics. The results reported here typically compare the impact during the early months of the pandemic (April 2020) and more recently (August 2021) unless otherwise noted. The study divides these Americans into three income groups to better understand the impacts: ***lower earners*** making less than $25,000 in household income annually; ***middle earners*** making $25,000-$100,000; and ***higher earners*** making $100,000 or more. *For additional discussion related to these income distributions, please see footnote one above.*

Census data consistently shows that race-ethnicity and gender correlate with income. Due to insufficient sample size among populations at the higher end of the income distribution, insights in this paper related to race-ethnicity and gender focus on Americans with household incomes of $50,000 or less in order to ensure a nationally representative sample. In future analysis, there is opportunity to further explore race-ethnicity and gender dynamics at higher household incomes as well.

Incomes evaporate. Early in the pandemic (April 2020), 32% of lower earners reported their incomes had disappeared or declined, the majority of whom said incomes had fully disappeared or declined "a lot" (vs. "a little"). These dramatic losses reached slightly deeper into Hispanic/Latinx families, whose overrepresentation in jobs shuttered by the pandemic, like retail and restaurants, put them at higher risk for job and income loss. Among Hispanic/Latinx Americans earning less than $50,000, 26% said they had lost all or "a lot" of their income early in the pandemic. Among Black Americans earning less than $50,000, 14% reported such income losses, as did 23% of White Americans.

Share of Americans with income loss during the pandemic



In the last month, how has the money you're making from any source (from a job, unemployment, government stimulus, other sources) changed?

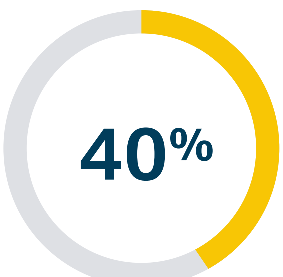
More than a year later in August 2021, income losses were abating for Hispanic/Latinx and White Americans, but not for Black Americans. By August 2021, 21% of Hispanic/Latinx Americans said they had lost all or "a lot" of their incomes, a 5 percentage point improvement from spring 2020, and the share of White Americans reporting the same had improved by 6 percentage points, to 17%. The share of Black Americans reporting income losses ticked up to 19%.

Underemployment persists. Underemployment—working less than preferred or for less money than before the pandemic—was widespread and significantly worse among lower earners than higher earners. Four in ten (40%) lower earners felt underemployed at some point during the pandemic. They were also largely pessimistic about the return of jobs. Fully 46% thought it would be more than three months until they were fully employed.

By race-ethnicity, Hispanic/Latinx Americans were 10 percentage points more likely than White Americans to report being underemployed in spring 2020 (38% vs. 28%). Approximately one-third of Black Americans were underemployed.

Many continue to actively look for work. By August 2021, 24% of lower earners were actively looking for work —the highest share among all income groups. Only 1% reported they were not looking for work because they were covered by unemployment insurance. Four percent were not looking owing to health concerns.

Dual-income households decline. By August 2021, 40% of lower earners in dual-earning households reported that one earner had lost a job–nearly three times the rate of higher earners. Only 14% of households earning more than $100,000 annually had lost an earner.



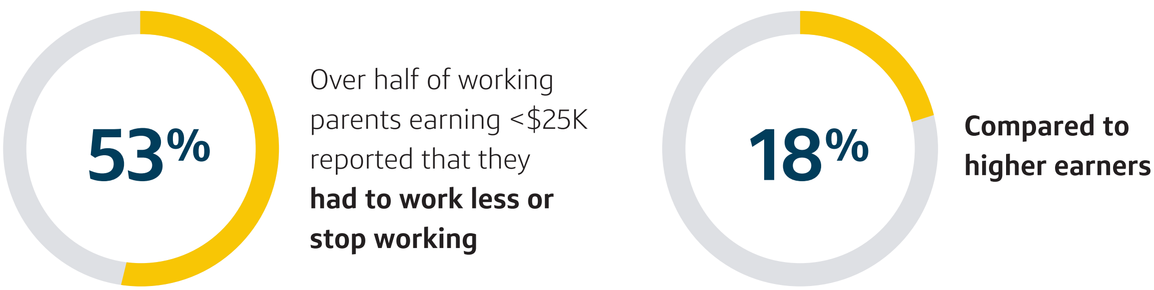
of lower earners in dual-earning households reported that one earner had lost a job

Nearly three times the rate of higher earners

Job security fades. Early in the pandemic, many believed their job was safe. In spring 2020, 61% of lower earners, for example, felt secure in their job, although job security increased with income (78% of those earning $100,000 or more felt secure). Yet more than a year later in August 2021, that sense of job security was beginning to fade. Among lower earners, 55% felt secure. Notably, they were the only income group that grew more pessimistic.

Child care woes hamper employment. Almost three times as many lower earners (53%) than higher earners (18%) said they had to cut back or stop working because of children at home. Hispanic/Latinx Americans earning less than $50,000 were slightly more likely to have cut back or stopped working altogether (48%) than Black (41%) or White (43%) Americans earning $50,000 or less. Nearly half (48%) of women earning $50,000 or less had cut back or stopped working compared to just one-third of men earning $50,000 or less.

Income loss due to child care challenges



Are you or someone else in your household working a different amount than before coronavirus because you have children at home (e.g. to teach or to take care of them)?

Lower earners have less savings now than higher earners. Four in ten (41%) lower earners report they have “much less” or “somewhat less” savings now than before the pandemic. Forty-two percent said their savings held steady over the course of 2020, and 18% said their savings increased. In contrast, fully 90% of higher earners said they had more or the same amount in savings as they did prior to the pandemic—a 30 percentage point difference.

For those with savings, it appears the buffer will not last for long, however. As of August 2021, lower earners were still approximately four times less likely than higher earners to have enough savings to last a month if they ran into financial difficulties. The economic hardship does not appear to be letting up for lower earners. By August 2021, only 57% of lower earners had a financial cushion for emergencies, up from 54% in April 2020.

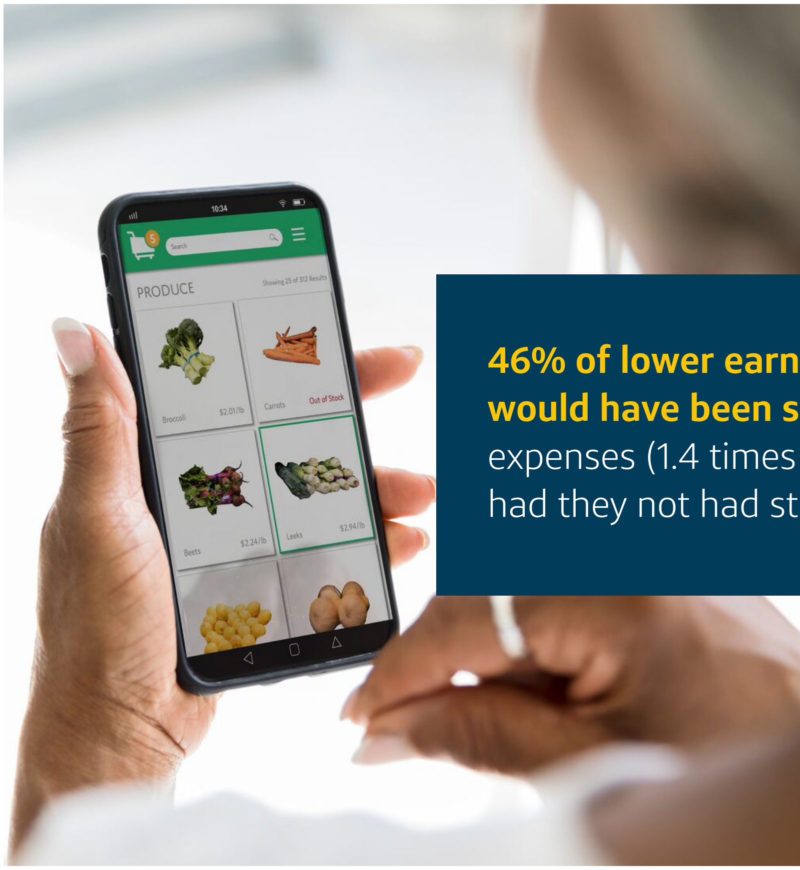
Pandemic emergency aid was critical but fell short for many. Learning from the prior deep recession in 2008, the federal government acted quickly during this economic shock to support families with three rounds of relief payments (stimulus money). See box.

Pandemic Emergency Aid Summary

- **April 2020:** Under the CARES Act, families received $1,200 per adult and $500 per child. Due to complications, the money took up to four months to arrive.
- **December 2020:** The second round under the Consolidated Appropriations Act provided families with $600 per adult and $600 per child. It took 3-4 weeks to disburse, though not everyone received it on schedule or at all.
- **March 2021:** Under the American Rescue Plan, families received $1,400 per person and $1,400 per child. It also took 3-4 weeks to disburse.
- **The government also increased unemployment insurance** payments by $600 a week (later cut to $300) and expanded the program to those not traditionally covered, such as contract workers. Not all consumers received their payments on time or as expected due to state-by-state differences in the unemployment insurance process.
- **Forbearance programs offered by private entities** also allowed families to defer payments, and homeowners with federally backed mortgages were allowed to pause or reduce their payments for between 6 and 18 months. Renter support was available, though disbursement was uneven. Federal student loan debt could also be deferred during the pandemic.

The economic relief supports were critical to families. Nine in ten lower earners had received COVID-related support by August 2021, up from only one-third in spring 2020. As of April 2021, of those receiving support, 91% received stimulus payments, 24% received forbearance and 10% received unemployment insurance. Notably, 46% of lower earners in April 2021 would have been short in paying their expenses (a rate 1.4 times the national average) had they not had stimulus money.

Lower earners tended to use the final round of stimulus money to pay bills. In March 2021, 43% of lower earners who received the stimulus saved part or all of it, while 58% paid bills with at least part of the payment and 28% used at least part of it to pay down debt. About one-third spent part or all of the most recent payment. Overall, about 41% of lower earners used the payment for multiple purposes (that is, saved part of it and paid bills with part of it, for example).



46% of lower earners in April 2021 would have been short in paying their expenses (1.4 times the national average) had they not had stimulus money.

The pattern was different for unemployment insurance payments. Among those receiving unemployment insurance in August 2021, a large majority in all income brackets used the payments to cover monthly bills. Seven in ten of lower earners used part or all of their unemployment check to pay bills, while 29% paid down debt and 24% put at least part of the payments into savings. Higher earners (more than $100,000) were more likely than other groups to spend part or all of the unemployment insurance check—29% did so versus only 20% of lower earners.

Safety net programs fill in. Despite the pandemic-specific help, 68% of lower earners still needed to rely on the government safety net to make ends meet, twice the national average rate. **The Supplemental Nutrition Assistance Program (SNAP)** saw sharp spikes, for example. Half (51%) of lower earners used SNAP. 18% of lower earners relied on **disability insurance** through the Social Security program. **Housing assistance** was also a crucial support, with 10% of lower earners seeking subsidized housing. Despite the hardship, only 2% turned to the **Temporary Assistance for Needy Families (TANF)** program.

Many turn to the bank of friends and family. In August 2021, nearly one-third (31%) of lower earners borrowed money to make ends meet or pay bills, most commonly from friends and family (20%). This reliance on friends and family was three times more common than among higher earners.

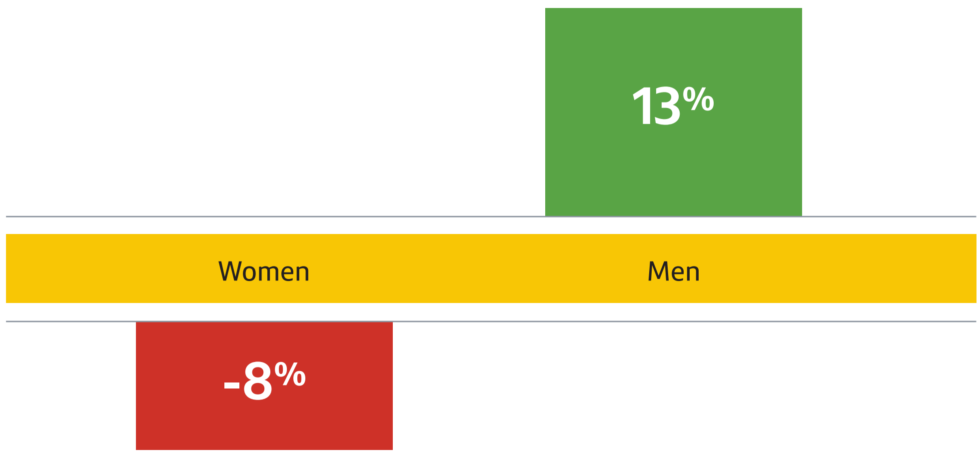
38% of lower earners could not pay all their bills in August 2021.

Feelings of financial well-being largely diminish as pandemic persists

Financial health worries remain for lower earners. The ongoing strain of job uncertainty, underemployment and financial setbacks left many lower earners feeling less confident about their financial health, and for lower earners, that confidence had not yet fully returned as of August 2021. In spring 2020, 42% of lower earners reported they did not feel financially healthy, and 44% in August 2021 reported the same. About one-fourth (26%) of lower earners did not see their financial health improving in the next six months, while 39% were more hopeful. Lower earners were the only income group to not see any improvement in their sense of financial health. By August 2021, for comparison, only 5% of higher earners did not feel financially healthy.

Women who earn $50,000 or less report increasing levels of financial distress. Women who earn $50,000 or less were more likely than men to report feeling "financially unhealthy" in August 2021 than in the early months of the pandemic. Among those earning $50,000 or less, there was an 8 percentage point increase in August 2021 in the number of women who reported feeling "financially unhealthy" compared to spring of 2020 (31% vs. 39%). Conversely, men in the same income bracket reported a 13 percentage point decrease in feeling "financially unhealthy" during the same period, a significant improvement.

While men earning <$50K annually report feeling more financially healthy now from the beginning of the pandemic, women, on the other hand, report feeling less financially healthy



Do not feel financially healthy right now.

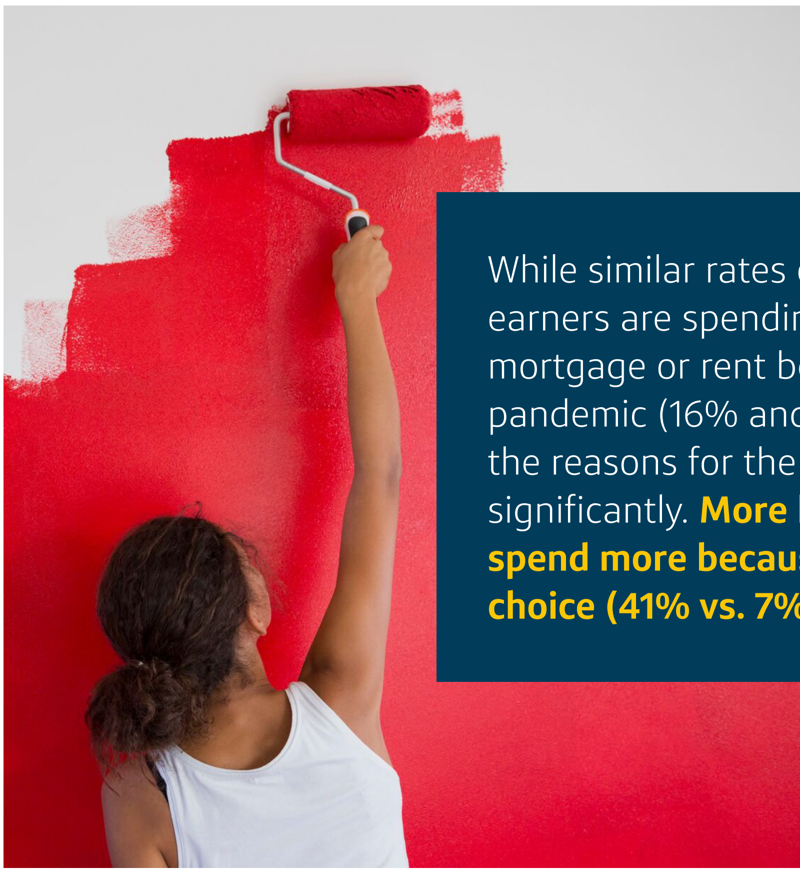
Monthly bills remain a source of worry. One source of strain was the worry of ongoing expenses and monthly bills. Among lower earners, fewer than half (47%) believed at the outset of the pandemic in spring 2020 that they would be able to cover all their bills over the next several months, and 36% reported they could not pay their bills in the prior month. The worries remained steady over time. In August 2021, the share who believed they could cover their bills was 46%, and those who were unable to cover their bills in the prior month ticked up to 38%.

Mortgage and rent are growing concerns among lower earners. One-third of lower earners are worried about making next month's mortgage payment as of August 2021, up from 20% a year earlier. Fewer renters were worried about making rent, although it was nonetheless a concern. As of August 2021, 73% of lower earners had paid rent on time, and approximately 25% had paid late or not at all. Thirteen percent feared eviction despite government moratoriums on evictions, and another 7% said they would fear eviction if they were not allowed to skip or delay payments temporarily. This concern regardless of eviction moratoriums was also high among women (12%) and Black Americans (11%) earning $50,000 or less.

One-third of lower earners are worried about making next month's mortgage payment as of August 2021, up from 20% a year earlier.

Key drivers of increased housing expenditures differ by income, gender and race. Although similar rates of lower and higher earners are spending more on their mortgage or rent because of the pandemic (16% and 15%, respectively), there is great disparity in the autonomy of these housing cost increases. Nearly half of higher earners (41%) said they were spending more because of a personal choice, like choosing to move to a bigger house during quarantine, compared to just 7% of lower earners. More than three-quarters of lower earners said they were spending more because of external forces, such as rent increases, catching up on payments or having to move (e.g., owing to a new job location).

Women, too, more often pointed to external factors in increased housing costs. Among women earning less than $50,000, only 6% said their increased housing costs were a personal choice compared to 16% of men who said the same.



While similar rates of lower and higher earners are spending more on their mortgage or rent because of the pandemic (16% and 15%, respectively), the reasons for the increase differ significantly. **More higher earners spend more because of a personal choice (41% vs. 7%).**

Many are unable to prioritize for the long-term. For lower earners and women earning less than $50,000, investing their savings or income was a priority for only 10%. However, for middle earners and men earning less than $50,000, the share of those prioritizing investing doubled, and then nearly doubled again for higher earners. Similar trends were apparent in saving for long-term goals, though to a smaller degree. In contrast, the groups were fairly equal in their goals of reducing credit card debt (17% of lower earners and 12% of higher earners) or maximizing value from checking or savings (15%-16%).

2

Middle and higher earners

$25K-$100K+

Household income annually

Despite growing optimism, monetary and occupational worries continue to impact financial well-being. As of August 2021, more Americans—especially middle and higher earners—were feeling optimistic about their futures. A majority now felt secure in their jobs, and approximately eight in ten said they had the same or more savings and less debt than at the outset of the pandemic. Yet there was a small group of middle earners—approximately 20%—who were feeling just the opposite. Nineteen percent of middle earners were still reporting in August 2021 that their incomes had fallen, with one in five multi-earner households reporting that at least one earner had lost a job during the pandemic. There was also a slight rise in the share of middle earners who were unable to pay the prior month's bills, and most were approximately $1,000 short. Twenty percent of middle earners had more debt, and 25% had less savings than at the beginning of the pandemic.

It was middle earners who were the most likely to see incomes decline or disappear at the outset—even more so than lower earners.

Jobs are returning, but the landscape has changed

Income recovery remains lopsided. At the outset of the pandemic, income loss was largely a shared experience, regardless of which earnings brackets a household fell into. Across all income groups, 32%-36% reported either that their income had completely disappeared or had declined compared to the prior month.

It was middle earners, however, who were the most likely to report that their incomes had declined or disappeared at the outset—even more so than lower earners. Fully 36% said their incomes disappeared or decreased from the prior month in spring 2020 (compared to 32% of lower earners and 33% of higher earners). Across all incomes in spring 2020, approximately one in ten Americans (10%-14%) would have been short $500-$1,000 on their expenses without some form of government assistance.

Across all incomes in spring 2020, approximately **one in ten Americans (10%-14%) would have been short $500-$1,000 on their expenses** without some form of government assistance.

A year later, things were improving, yet the recovery was faster for those earning more. 19% of middle earners were still reporting that their income was less than it had been the prior month, compared to 13% of higher earners.

Underemployment persists. Many Americans were not working as much as they preferred or earned less than before the pandemic. Nearly one-third (32%) of middle earners felt underemployed at some point during the pandemic. Even 28% of higher earners felt underemployed at some point. By July 2021, the ranks of the underemployed had declined dramatically, with only 8% of middle earners (half the rate of lower earners) and 4% of higher earners still reporting being underemployed in that month.

Yet among those who were still underemployed in August 2021, their hopes appeared to be dimming. Only 17% of the underemployed middle earners thought they would be fully employed within the next month, identical to lower earners. Higher earners, in contrast, were more confident their underemployment would ease, and 28% expected it to end within one month.

More are returning to the worksite, but plans continue to evolve. Working from home was declining rapidly by August 2021. Only about one in five middle earners were still working from home full-time, down from 35% at the outset of the pandemic. More higher earners (32%) reported still working from home full-time by then, but that too had declined from its peak of 50% in spring 2020.

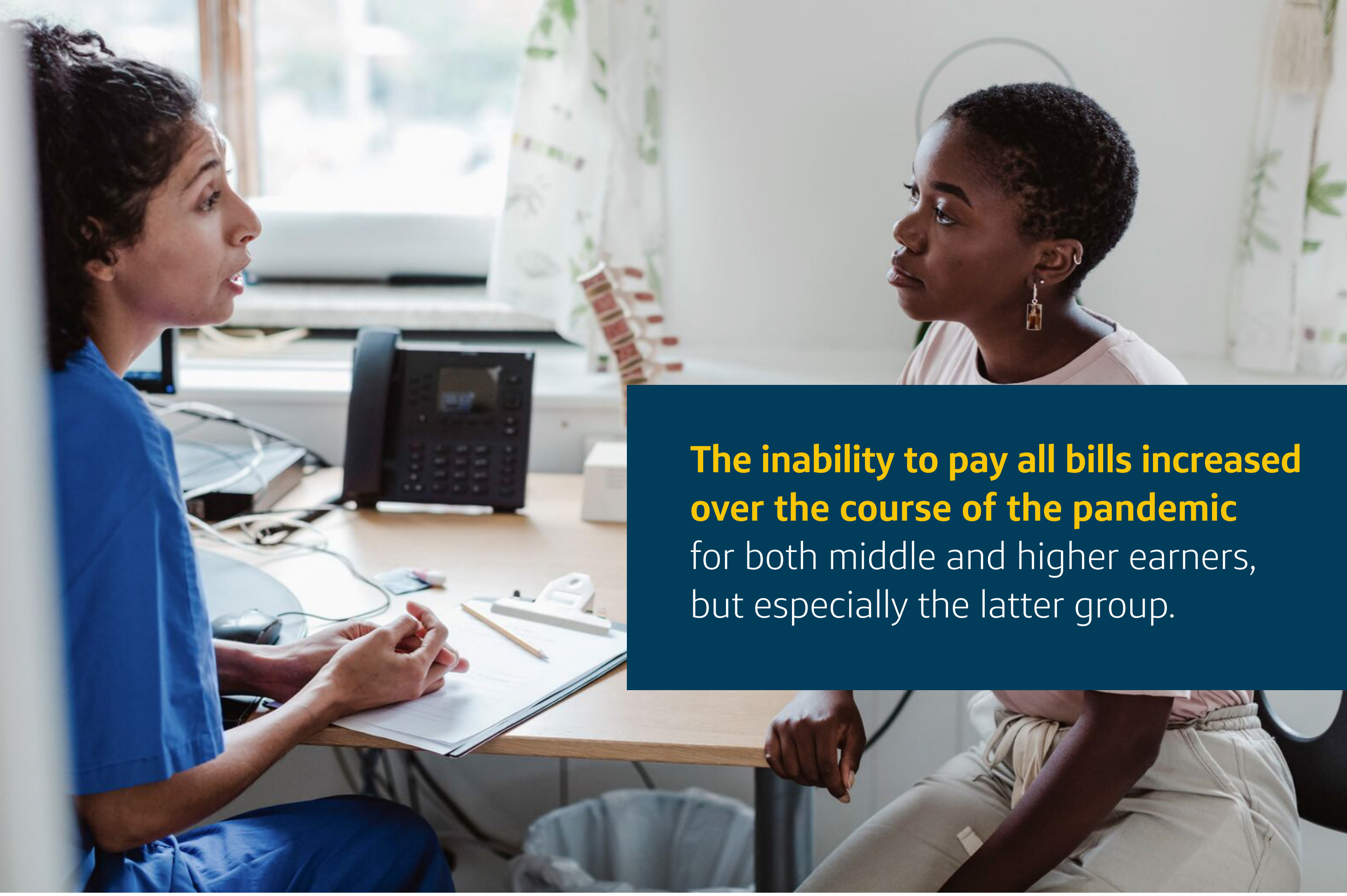
Dual-income households have not fully returned. Like lower earners, middle earners were more often making do with one less worker in the household since the pandemic began. Among households that had relied on two or more workers pre-pandemic, one in five (21%) middle earners reported that a person in their home had lost a job as of August 2021, and 14% of higher earners had lost one worker.

It appears that many middle earners had relied on two incomes to sustain their household. Of the dual-income households, only 42% of middle Americans in August 2021 thought "we'd be fine" if one earner lost a job. In contrast, a large majority of higher earners were not worried about the loss of one income—61% said they would be fine.

Middle-earning households are more likely to heavily rely on dual incomes, only 42% would be "fine" losing an income, compared to 61% of higher earners.

Job security has grown but it is still not a given. Unlike lower earners whose optimism about job security and the job picture overall had faded with time, middle earners were feeling more confident over time, though it was never a fully embraced confidence. Two-thirds (66%) of middle earners felt secure in their job in spring 2020, rising to 74% by August 2021. Even more higher earners felt secure by then (82% by August 2021).

Child care remains an issue. As noted, having children at home during the pandemic was a juggling act for many families. Approximately one-third of middle earners had to cut back or stop working altogether because they suddenly had children at home, even as late as August 2021. The trends were much less pronounced among higher earners—only 18% had to stop work or cut back because of child care. Interestingly, almost twice as many higher earners said they were working more than before the pandemic because they had children at home.



The inability to pay all bills increased over the course of the pandemic for both middle and higher earners, but especially the latter group.

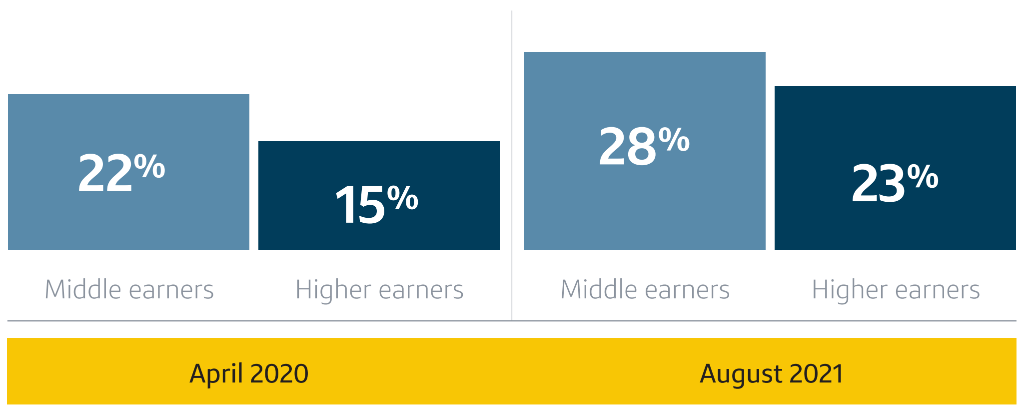
Worried about bills, but also optimistic for a financial recovery

A small group of middle earners is worried about paying bills and finding work-life balance. Not surprisingly, people are worried and stressed, and bills are still a concern for many. As of August 2021, 23% of middle earners reported they could not pay at least one bill in the prior month. Of those, 41% were $500 or less short, and 34% were $500-$1,000 short.

The inability to pay all bills increased over the course of the pandemic for both middle and higher earners, but especially the latter group. Early in the pandemic, 10% of higher earners said they could not cover all their bills in the prior month, rising to 20% in August 2021. That pales in comparison to the financial strain among lower earners, however—one-third of whom could not pay all their bills in the prior month by August 2021.

Student loans are a key stressor. For the 13% of middle earners with student loans and the 32% with mortgages, these expenses were at the top of the list of payment worries (compared to medical bills, vehicle payments, credit card payments, utilities and essentials). Further, student loan and mortgage payment worries grew over the course of the year. Among middle earners with student loans, 28% were worried about making payments, up 6 percentage points from a year earlier. For higher earners with student loans, this trend was even more pronounced, with 23% worried about making payments, up 8 percentage points from a year prior.

Student loan worries have grown over time among middle and higher earners



Thinking about the next month, which (if any) are you concerned about paying for?

Forbearance programs were designed to help, but there appears to be an information gap about forbearance options. Of those with federal mortgage loans who were worried about making payments, 29% were unaware of forbearance options or did not believe they applied to them. Another one-half said they were worried about payments and interest adding up, even though they were aware that they were allowed to defer payments.

Student loan worries have been rising over the course of the year—28% of middle earners who have student loans now worry about paying them, up 6 percentage points from a year earlier.

Although higher earners worry less about paying bills than others, their worries have increased the most over the course of the pandemic. This group has seen a 10 percentage point increase in the share who worry about paying at least one of the household's expenses. Comparable worries among middle earners, in contrast, have increased by only 4 percentage points over the course of the pandemic.

Medical bills worry higher earners. Higher earners were also more concerned about medical bills than in spring 2020. In August 2021, 8% of higher earners were worried about paying medical bills, nearly double the rate in spring 2020 and almost the same share as lower earners (10% of lower earners were worried about medical bills). Many laid-off workers lost employer-provided health insurance during the pandemic, which could be adding to the concerns about medical bills.

The share of higher earners worried about medical bills doubled in a year.

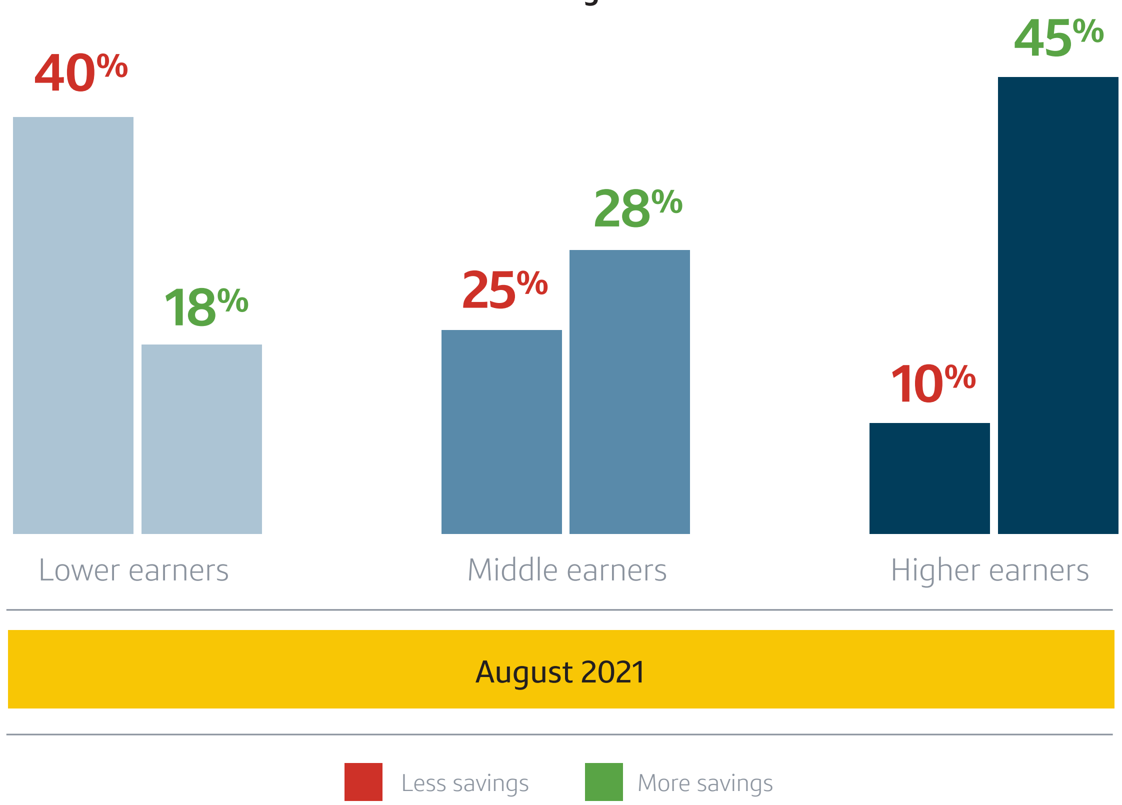
As of August 2021, **58% of middle earners were happy** with their financial health.

Savings and financial well-being grows

Savings have grown and debts stabilized. Savings was growing among a large group of middle earners while debt was easing. As of August 2021, 28% of middle earners said they had more or much more savings in the bank than before COVID-19, and one-half said they had the same amount as before. For higher earners, fully 45% had managed to save more during the pandemic. About 70% of middle earners and higher earners reported they had the same or less debt than a year earlier.

Lower earners have less savings now than before the pandemic while other earners are doing better. **Higher earners were 2.5x more likely to have more savings now** than at the outset of the pandemic than lower earners.

Lower earners have less savings in August 2021 compared to middle and higher earners



Relative to pre-coronavirus, how much savings do you have?

Stimulus payments helped to bolster savings. Higher earners more often used the most recent stimulus payment to bolster savings than middle and lower earners. As of April 2021, 55% of middle earners and 60% of higher earners saved part or all of the stimulus compared to 43% of lower earners. About 25% in all groups spent at least part of the latest check.

Financial confidence is growing. All in all, 58% of middle earners and 83% of higher earners were happy with their current financial health in August 2021. Meanwhile, others were ambivalent about their current financial health (22% of middle earners, 12% of higher earners). Nonetheless, that still means roughly two in ten middle earners felt financially precarious, and of those, roughly half did not see their situation improving in the next six months.

Looking Ahead: The Opportunity to Chart a Path Toward an Inclusive Recovery

The global pandemic has left no one untouched. For some who lost family members, life will never be the same. For those who lost jobs and livelihoods, the future continues to feel uncertain. As the Capital One Marketplace Index shows, those with higher incomes are more optimistic that their financial lives will recover. For the others who earn considerably less, the pandemic battered their already precarious financial foundations.

While consumer spending is rising and jobs reports are increasingly optimistic, many families are still picking up the pieces from one of the most severe economic recessions since the Great Depression, and as the Delta variant gains ground as of late summer 2021, continued growth and recovery is far from a certain bet. Moreover, with seismic shifts underway this fall, including returning to offices, children returning to classrooms and the end of key COVID-19 relief programs, behaviors and outlook will continue to shift and affect the trajectory of the recovery.

While the world may be forever changed and uncertainty still looms, there is an unprecedented opportunity to chart a new path that empowers everyone across all income spectrums. The decisions that governments, policymakers and business leaders make today will determine their ability to transition to a more resilient and equitable tomorrow.

Appendix

Methodology

The data were powered by Dynata, the world's largest first-party data and insights platform. The study was conducted monthly or bi-monthly beginning in spring 2020. The study was continually updated to ensure questions were relevant given changing consumer and macroeconomic circumstances.

- Early pandemic data were collected April 18-22, 2020 (~2,000 sample).
- April 2021 data were collected April 2-12, 2021 (~5,800 sample).
- August 2021 data were collected July 26- Aug. 3, 2021 (~5,900 sample).

This type of consumer research is intended to gauge how consumers are thinking, feeling and behaving from their point of view. Results should generally be considered robust estimates rather than precise data points.

Methodology details

Self-reported: All data were self-reported and therefore have some degree of uncertainty given that consumers must interpret the questions being asked and are not required to provide “proof” of any given response. Numerous validations were performed on the data to ensure consistency with other well-known sources (e.g., U.S. Census, Federal Reserve, Bureau of Labor Statistics, CDC).

Double-blind: Studies were double-blind and from the U.S. population. Double-blind means that Capital One is not identified as the study sponsor, and study respondents remain anonymous to Capital One. This reduces bias risk and increases the likelihood of truthful answers.

Sample size: Each wave of the study ranged from ~2,000 to ~10,000 nationally representative respondents on age, race-ethnicity, gender, income, education and geography (Census region). Care was taken to align as best as possible to Census quotas on these dimensions and maintain consistency in all waves for all demographics. This allowed for a consistent comparison across waves, enabling conclusions to be drawn about shifts in consumer perceptions and behaviors. Studies were conducted online (mobile phone, tablet, or desktop via email) through Dynata’s proprietary panel of U.S. consumers. Study respondents were offered a modest incentive for participation.

Sample size for any individual data point was a minimum of 100, and in most instances was 500 or more. One hundred respondents is often considered a best-practice minimum for reporting study data, and higher sample sizes lend increased robustness to the results.

Income Distribution Groupings: The study’s income groupings (lower earners, middle earners and higher earners) serve as shorthand definitions for simplicity. This paper compares experiences and outcomes among these three income groups to clearly highlight trends in the data and group consumers in similar circumstances together. It is important to note that the financial experiences within these groups do vary and cannot be monolithically defined by this analysis alone. These definitions are not meant to conform to standardized income distribution groups as set by the U.S. Census or Department of Housing and Urban Development, for example. However, the segmentation used in this paper is related to relevant financial metrics such as the median U.S. household income which does vary by geography but was $68,400 in 2020, leading to a middle class definition of $34,200 to $136,800. This measure of the middle class is based on half of the median household income to twice the median household income (source: United States Census Bureau's Annual ASEC survey; University of Minnesota's Minnesota Population Center).

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Methodology details

Race-ethnicity and gender analysis: Census data consistently show that race-ethnicity and gender correlate with income. Due to insufficient sample size among populations at the higher end of the income distribution, insights in this paper on race-ethnicity and gender distinctions focused on Americans with household incomes of $50,000 or less to ensure a nationally representative sample. In future analysis, there is opportunity to further explore race-ethnicity and gender dynamics at higher household incomes.

Questions: The study used a variety of question types to capture insights and improve analytical rigor. Common question framings included cumulative (e.g., "...vs. before the pandemic began"), time series (e.g., "...in the last month," "in the next month") and point-in-time (e.g., "...in August"). Respondents were asked a mix of single-select, multi-select, and open-ended, free-response questions to convey their answers.

Response quality: Best practices were applied to increase response quality, including but not limited to: (1) removal of respondents who got two of three "quality control" questions wrong, (2) removal of respondents who completed the study too quickly, (3) removal of respondents with unreasonable IP address behavior, (4) randomization of response options where appropriate and removal of respondents with erratic responses, (5) keeping study length at 15-20 minutes to minimize respondent burnout, and (6) writing questions and response options in a short, clear, consumer-friendly manner.

About the Capital One Insights Center

The Center combines Capital One research and partnerships to produce insights that advance equity and inclusion. As a nascent platform for data and dialogue, the Center strives to help changemakers create an inclusive society, build thriving communities and develop financial tools that enrich lives.

The Center draws on Capital One's deep market expertise and legacy of revolutionizing the credit system through the application of data, information and technology.

About Capital One: Capital One Financial Corporation is headquartered in McLean, Virginia. Its subsidiaries, Capital One, N.A. and Capital One Bank (USA), N. A., offer a broad spectrum of financial products and services to consumers, small businesses and commercial clients. We apply the same principles of innovation, collaboration and empowerment in our commitment to our communities across the country that we do in our business. We recognize that helping to build strong and healthy communities – good places to work, good places to do business and good places to raise families – benefits us all and we are proud to support this and other community initiatives.

Acknowledgements

We would like to especially thank the contributions of Dr. Lindsay Stevens, Dr. Rebecca Mohr and Hannah Merves for their expertise and perspective that guided this analysis. We would also like to thank Barbara Ray for shaping the narrative and content, as well as the dozens of collaborators across Capital One who contributed to the review and development of this report.