Income volatility has a consistent and significant impact on the lives of SaverLife Savers. A review of transactional data shows that the typical Saver experiences income volatility 3 out of every 4 months, with income volatility being defined as a 25% income change from their average income over the prior two months.

Volatility takes a toll on Savers’ financial and emotional well-being due to both its persistent nature and the amount their income can fluctuate. Savers report a median yearly income of $20,000, and transactional analysis shows that the median monthly dip in income that Savers experience is $1,208, while the median monthly spike is $1,346.

In contrast to prevailing thought, not all income volatility events are dips – over half (55%) are shown as a spike in income. However, in months with dips in income (45% of volatility events), Savers report that they manage their finances by borrowing from friends and family and delaying bill payments. Months with higher income often mean an obligation to repay these debts and bills that were delayed or only partially paid.

These significant swings make it challenging for Savers to manage their immediate finances and plan for the future. In interviews, Savers reported increased personal stress and tension with family members in times of lower income. They also report that volatility makes it harder for them to maintain their ideal quality of life and reach their financial goals.

Despite these challenges, Savers that complete the matching period of SaverLife achieve $465 in new savings on average, which research from the Urban Institute shows will reduce the negative impacts associated with an income or expense shock.

EARN analyzed 655,978 financial transactions from 12,014 Savers

The typical Saver experiences income volatility 3 out of every 4 months

45% of volatility is a dip in income, while 55% is a spike in income

Interestingly, more volatility events are spikes than dips. However, Savers are still juggling income and expenses in these “spike” months, as they may have deferred bills and other costs from “dip” months.
Further Insights

Income swings are significant and frequent

The median monthly dip is $1,208 and the median monthly spike is $1,346.

Volatility is emotionally stressful

Savers report that income swings make it hard for them to stay on track to reach their goals.

“The income ups and downs have a huge impact. I have to watch everything I buy and be extremely frugal. Medical expenses are pretty big; because of the ACA I’m able to see basic doctors but I have to pay for specialists out of pocket.”
– Joey, CA

“We’re always getting by; we haven’t lost anything but we struggle sometimes. In hard times, we do other odd jobs and brainstorm about opening our own business. Soon my son will be in 1st grade, so I could get a full-time job. We don’t want to just get by anymore; we want to be comfortable.”
– Kia, NY

“I’ve learned how to not spend based on emotions because that gets me into debt and into trouble.”
– Melissa, CA

Volatility exists no matter how you define it

The prevalence of volatility holds true regardless of how many months of financial transactions were available to analyze per Saver.

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SaverLife

EARN’s online SaverLife community empowers low-income households to take control of their financial lives by offering digital financial coaching, online resources, and monetary incentives and prizes for saving. SaverLife members hail from all 50 states and are representative of the broad swath of Americans who struggle to save and are working to develop lasting financial security.

Big Data on Small Savings research, supported by MetLife Foundation, explores the collective experience of thousands of SaverLife members to unearth rich insights and provide data-driven perspectives on what works in helping individuals develop financial security.

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