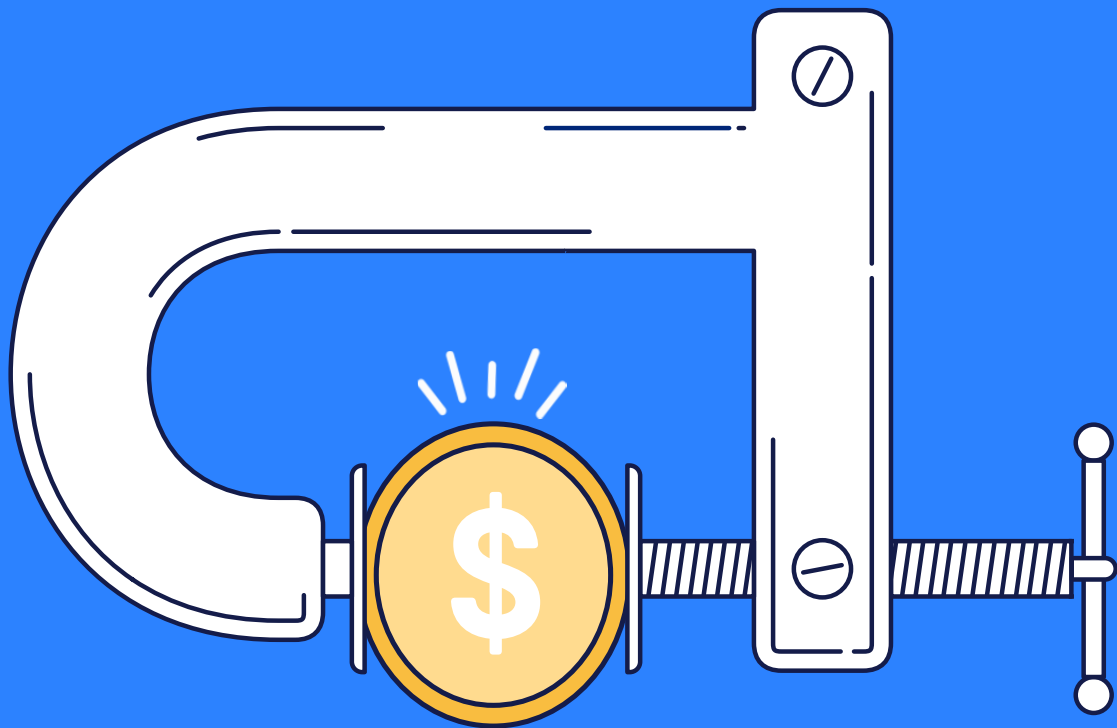


Breaking Down the Cost of Living Squeeze



How economic conditions affect the
finances of working Americans in **2022**,
and solutions for your people

Salary Finance

October 2022

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We're in a cost of living squeeze

It's hard to escape the 24-hour news cycle telling us that [inflation is still near a 40 year high reached in June, prices for everyday essentials continue to climb, and almost everyone is feeling the cost of living squeeze.](#)

At Salary Finance, we understand the profound impact personal finances have on our health and happiness at home and at work. And we want to help millions of people become financially healthier and happier. That's why we commissioned this research and put this report together. We wanted to find out just how much employees need us right now and how we can help.

We know that a blanket wage rise across the board isn't feasible and won't combat all areas of employees' expenses. We also know that more money doesn't necessarily lead to better financial wellbeing. What we can do, now, is provide employees with options and give them access to the financial tools they need, when they need them.

People are nervous, but together we can have a huge impact on our employees' lives by making financial wellness part of our overall wellbeing strategies. This sentiment is reinforced by [y](#), who found that: "Workers who believe their employers don't care about their well-being—physical, emotional, and financial—often feel less engaged at work and are more likely to seek employment elsewhere."

By reading this report, you'll get a unique look into how employees across the US are feeling about their finances so you can make informed decisions on how best to support your workforce. There are also a variety of resources at the end of the report which you can use.

Together, we can support your people through the cost of living squeeze.

Asesh Sarkar, CEO & Co-Founder of Salary Finance

Methodology

These results are based on a survey of 500 Americans who, at the time of the survey, were employed by an employer in the US either full-time or part-time. The respondents are distributed across the US geographically and the sample was designed to include representation of key sub-segments including women, Black or African-American people, and Hispanic or Latino people. The survey ran from August 17-18, 2022. Survey data comes with certain limitations due to self-reporting, which include telescoping, exaggeration, and selective memory. Citations of this report should read "Salary Finance's 2022 Cost of Living Report, Salary Finance Inc, 2022." For full survey data, [please visit here](#). Due to rounding of percentages, totals may not always add up to 100%.

Headline stats

Inflation and rising prices have dominated the headlines recently – the data below summarize the severity of the financial impact on working Americans

2 in 3

struggle more with their finances since this time last year, including 3 out of 4 women and half of those making over \$100K

3 in 4

(72%) have less savings compared to a year ago, while 81% of all women and 2 out of 3 women making over \$100K have less savings

29%

have completely drained their savings, including 2 out of every 5 women

32%

run out of money between paychecks almost all of the time

57%

run out of money between paychecks often, including 40% making over \$100K and 68% of women

54%

spend time worrying about their financial situation at least once a day, including over 2 in 3 (69%) of Hispanic/Latino employees

92%

believe their finances have a negative effect on their mental health, including 95% of women and 93% of Hispanic/Latino employees

3 out of 4

(74%) believe their mental health would improve if their employer provided financial wellbeing support and benefits

Before we start...

What is financial wellbeing?

Every day the news reminds us of the precarious economic conditions we face. Rising costs have drained savings and driven people towards more debt. If we're not already there, the threat of a recession in the near future looms in the background.

When financial stressors like these have a negative impact on overall wellbeing, it's important to recognize exactly what we mean when we talk about financial wellbeing. Through this understanding we can help people through the cost of living squeeze.

We believe that financial wellbeing is how much control, empowerment, and freedom a specific individual's financial situation affords them. It isn't one-size-fits-all – financial wellbeing needs to be tailored to the individual's relationship with money at that specific moment in time.

Even our research shows us the individual nature of financial wellbeing. Each respondent has a specific relationship with money which informed their answers, and you'll see how that has shaped the data.

We're all unique and our financial wellbeing is affected by a variety of factors. These can include: our relationship with money as a child, how old we are, our gender, our earning history, life events, where we live, and who our friends are.

These and many other variables explain why financial wellbeing means different things to different people depending on their circumstances.



It'll surprise no one that major health or financial crises can cause greater rates of stress, anxiety, and depression. But these findings paint a stark picture: it's clear the cost-of-living crisis is having a major impact not just on quality of life, but what we can or cannot do on a day-to-day basis. This and worrying about money can have a significant effect on our mental wellbeing.

-Dr. Sofia Gerbase, Clinical Psychologist, Unmind

Employees are running out of money

It's hard to ignore the rising costs of basic necessities. Coming off the highest inflation rates we've experienced in four decades, price increases have drained the savings of many and left most of us worse off financially than at this point last year.

And it's difficult to predict when everything will return to "normal." These escalating economic factors and uncertainty are putting millions of us through a cost of living squeeze, which makes it hard for many to plan or save for the future.

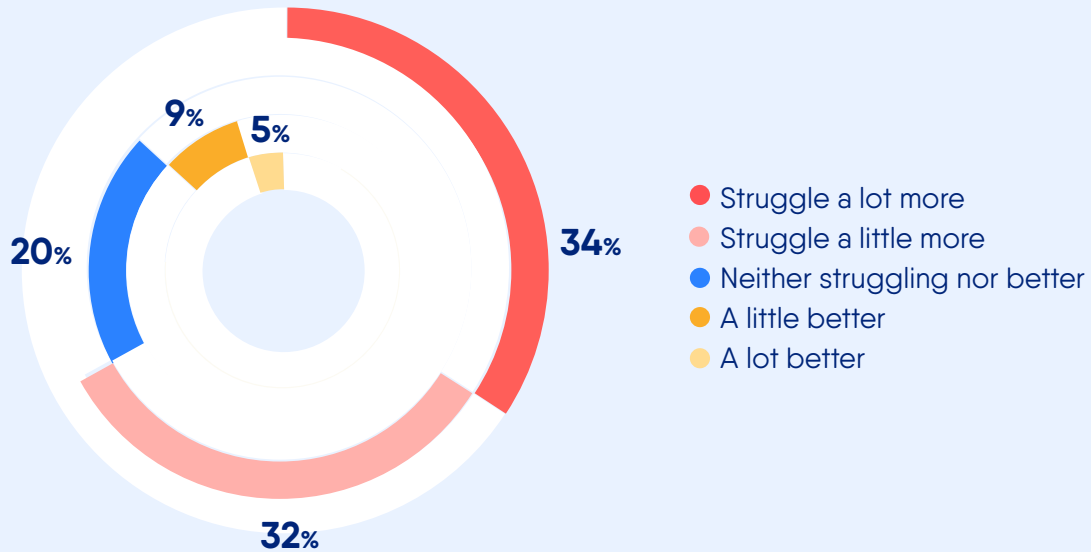
Our survey tells us that two-thirds of US employees say they're struggling more with their finances compared to this time last year. That's over 100 million employed Americans who feel less financially prepared to face increased costs of living.

Savings have been dwindling as well. Almost 3 out of 4 working Americans (72%) have less savings compared to a year ago, [up from 55% in February 2022](#) (linked report uses data taken from 3,001 respondents at companies with over 500 employees).

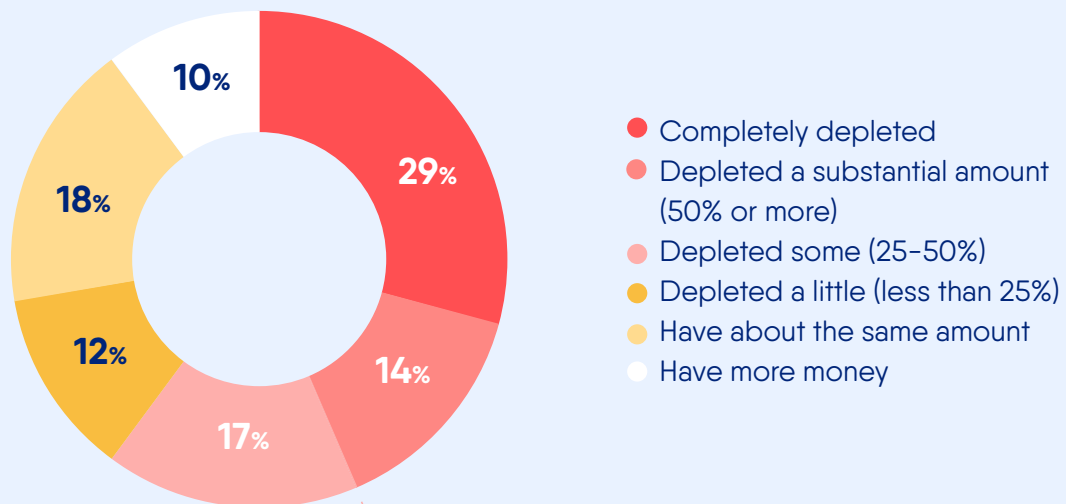
In fact, 43% have depleted over half of their savings over the past year, with 29% of employees completely draining their savings.



How have your finances been affected by inflation over the past year?



How much do you have saved in your bank account compared to this time last year?

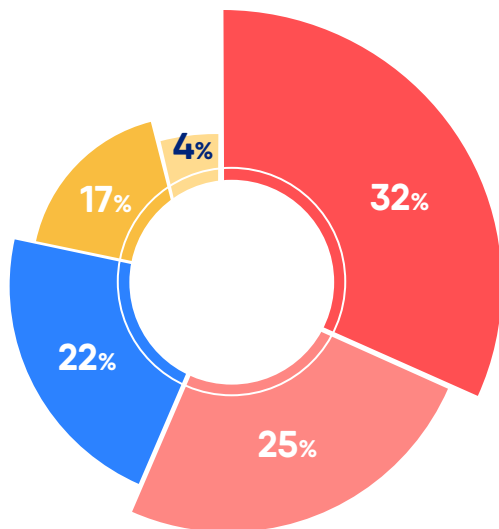


Struggling to make ends meet

As inflation has pushed the cost of basic goods higher and higher, many have had to stretch their paychecks and make tough decisions to meet these rising costs. The data show how many are unable to keep up with their everyday expenses.

Almost a third (32%) of employees regularly run out of money between paychecks, [up from 20% in February 2022](#) (linked report uses data taken from 3,001 respondents at companies with over 500 employees), and over half (57%) often run out of money between paychecks.

How often do you run out of money between paychecks?

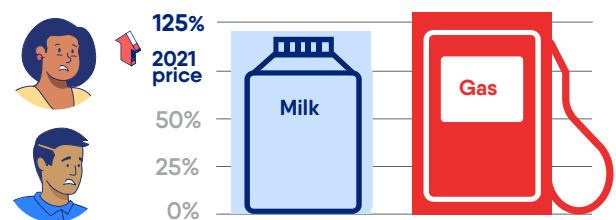
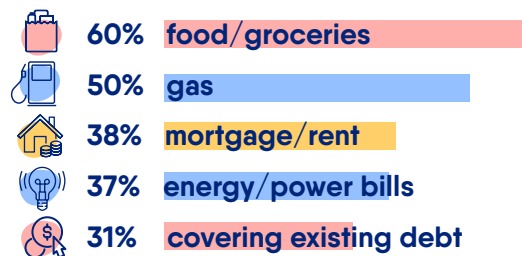


- Almost all the time (once or more per month)
- Often (every couple of months)
- Sometimes (3-4 times per year)
- Rarely (1-2 times per year)
- Never

With many employees coming up short on everyday expenses, which are predictable for planning and budgeting, they're likely even less prepared for unexpected financial shocks. [Pew reports](#) that 60% of households faced a financial shock in the past year, with the median cost coming out to \$2,000. After the shock, households had an average of \$4,000 less in liquid savings and were more likely to carry a monthly balance on their credit cards.

Surprise car repairs, a broken water heater in the winter, an unexpected medical procedure, and many other types of common yet unforeseeable emergencies could force someone on the edge of financial security to face difficult decisions with less than ideal options (drawing from retirement accounts, taking out payday loans, asking friends and family for money, etc.).

The threat of further price increases also continues to worry employees. When asked about the cost of which three items concern people the most over the next six months, respondents cited the prices of the following items as their biggest source of anxiety:



Grocery prices - [up 14%](#) since Sept 2021

Gas - [up 26%](#) since Sept 2021

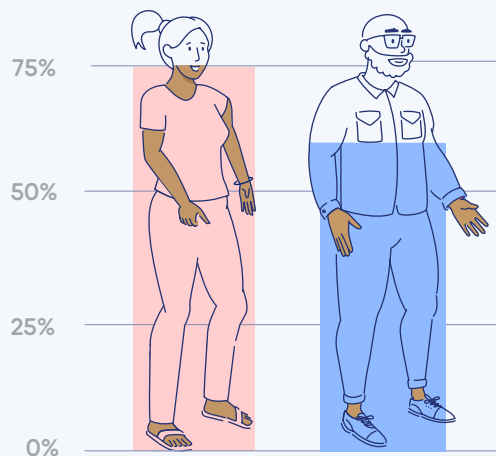
(above data from Sept 2022)

Women disproportionately affected

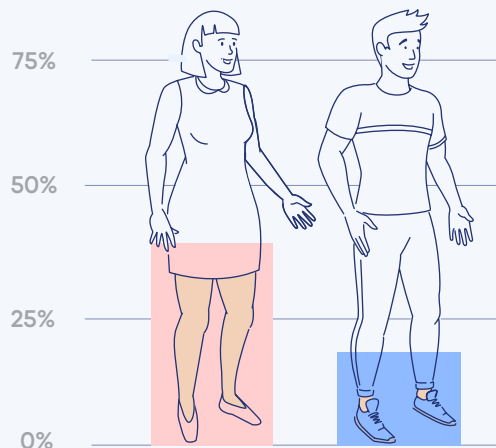
Inflation continues to widen a [long-standing gender gap](#) in financial wellness. The data show rising costs have had a greater negative impact on savings, income, and feelings of financial security for women compared to men.

While the gender pay gap has narrowed in recent years, women still only make [83% of what men make](#). The data in our survey reinforce this disparity in general income. 66% of women make under \$50,000 per year compared to 43% of men, while only 8% of women make over \$100,000 compared to 20% of men.

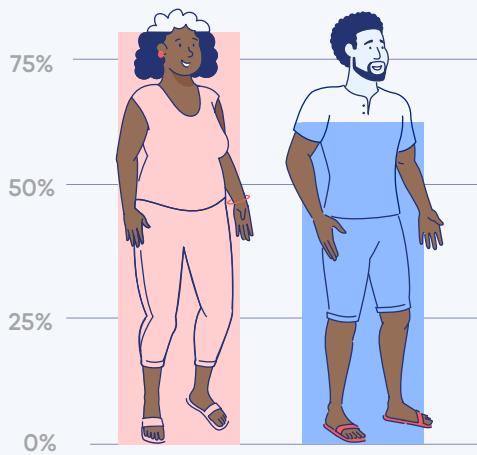
The existing gender pay gap has affected women's ability to absorb the impact of financial emergencies and the cost of living squeeze. But how wide is the chasm in key measures of financial wellness?



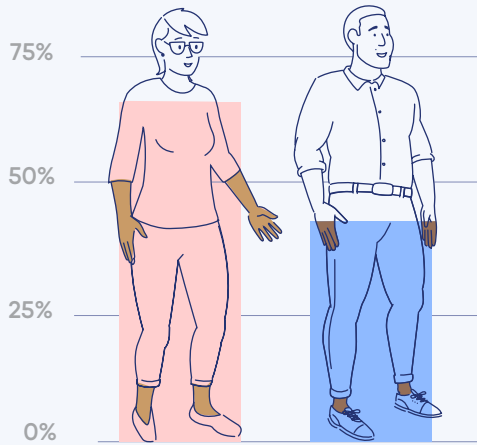
75% of women struggle more with their finances compared to this time last year **vs. 59% of men**



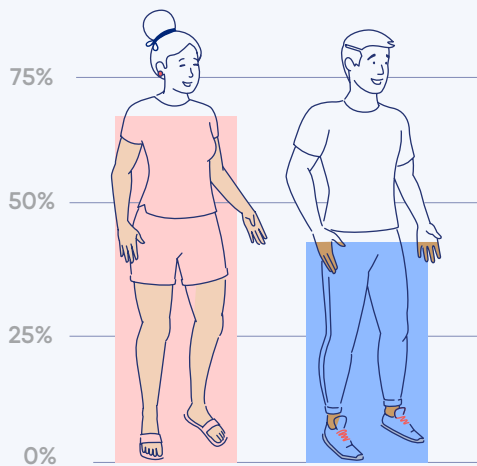
40% of women have completely drained their savings **vs. 18% of men**



81% of women have less savings compared to a year ago **vs. 63% of men**



67% of women making over **\$100,000** have less savings compared to a year ago **vs. 43%** of men making over **\$100,000**



68% of women often run out of money **vs. 41% of men**

It's clear that the cost of living squeeze has significantly impacted women more than men, but why? In addition to the pay gap, many other factors, cited in [our recent whitepaper](#), have historically held women back from building financial stability, including:

- 1 | Until 1974, with the passage of the Fair Credit Opportunity Act, a woman could not even open a credit card in her own name. This means that only two generations ago, women had very little access to credit outside of their husband's ability to secure it.
- 2 | Women account for more than **75% of workers** in **8 of the 20 occupations** with the lowest median weekly earnings.
- 3 | [Women's financial literacy tends to lag that of men.](#) This may be the result of the years of financial inequality they faced historically.

See [the whitepaper](#) to learn more about this topic.

High-income employees not immune to the squeeze

Higher pay doesn't guarantee financial security.

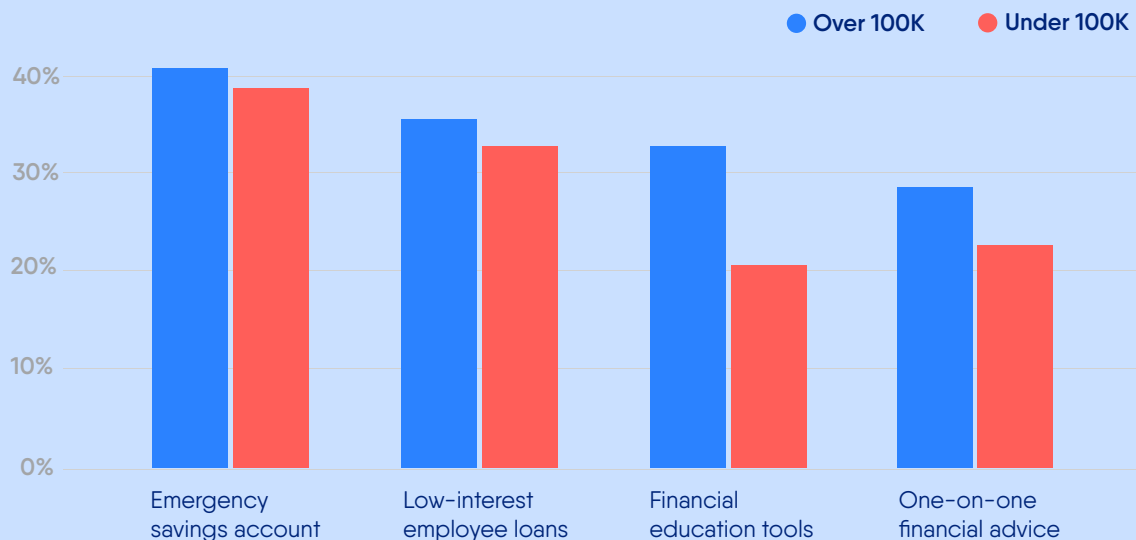
Our data show the highest income groups still struggle compared to last year with regard to saving money, meeting everyday expenses, and feelings of financial security. Of those making over \$100,000 per year, half struggle more with their finances and have less savings compared to last year.

In terms of daily expenses and stress, many high-income employees have found it difficult to manage. 40% of those making over \$100,000 report often running out of money. And 51% of this group report worrying about their financial situation at least once per day, a similar level to the 58% of those who report the same level of worry in the lower/middle income group (under \$50,000 annual earnings).

With so many struggling according to these basic financial wellness metrics, the solution is not as simple as pay increases. Employees need more support, education, and options to better manage their finances.

In fact, this group is more likely to utilize the following employer-sponsored benefits compared to those making under \$100,000:

Employee interest in financial wellness benefits by income level



Baby Boomers and Gen X taking a hit

As they near retirement or what should be the peak years of their careers, when they should be the most financially secure, the cost of living squeeze has not spared the two eldest generations in our survey.

Baby Boomers (defined here as those between the ages of 58-76) are not faring much better than the general population with regard to key financial wellness metrics. Since this time last year, 66% struggle more with their finances, 59% have less savings, and 23% have completely drained their savings. 44% of this group runs out of money often.

Due to these factors, 22% are very worried about their finances over the next six months, which makes sense as they should be readying for retirement rather than trying to just keep up.

The cost of living squeeze is hitting Gen X employees (ages 42-57) the hardest. This “sandwich generation” is [more likely to bear the twin responsibilities](#) of caring for young or adult children, many of whom are living at home longer, in addition to caregiving of aging relatives.

Since this time last year, 72% struggle more with their finances, 77% have less savings, and 35% have completely drained their savings. 66% of this group runs out of money often as they keep up with their full slate of responsibilities.

Rather than looking to the future as they continue to build their nest egg during the peak years of their careers, many are concerned with the short term - 44% are somewhat or very worried about their finances over the next 6 months.

It's clear that Baby Boomers and Gen X employees could use extra support given their increased financial responsibilities. For both of these groups, however, 22% report that their employer does not offer any financial wellbeing benefits, compared to just 9% of Millennials and Gen Z employees.

Finances continue to affect mental health

There's a human and economic imperative for organizations to support employee wellbeing at all times – especially in times of crisis. And, while soaring costs will make many people feel powerless, there are lots of things employers can do to help.

This could be open and honest conversations, so staff feel heard and you break down the taboo. You can signpost help in or outside the company, offer flexible work to save on commuting costs and commit to giving people security over their hours.

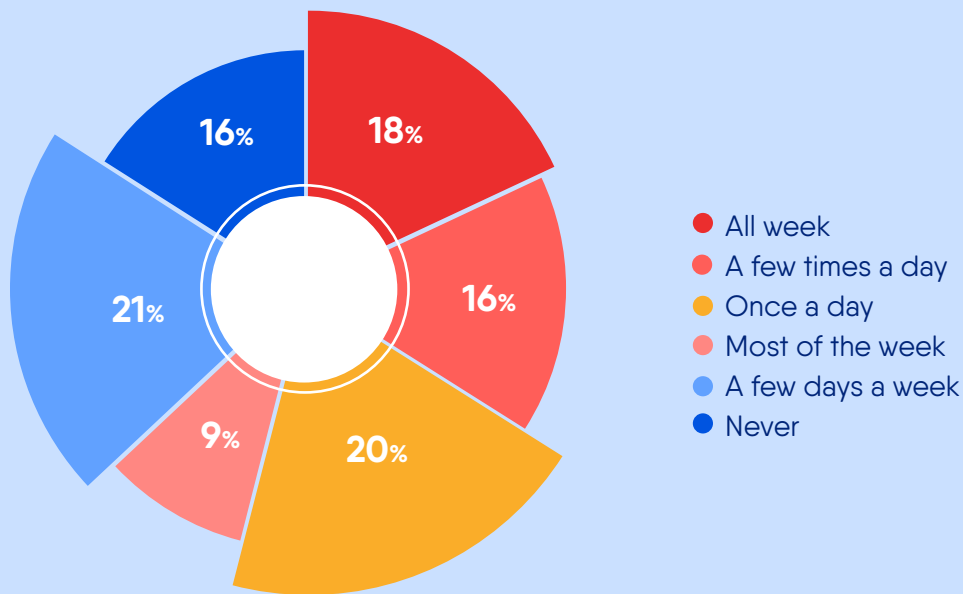
It can also be more in-depth action, such as mental health training for managers or, if company budgets allow, financial measures like advanced salary or enhancing benefit packages.

-Dr. Sofia Gerbase, Clinical Psychologist, Unmind

It's clear that these increases in financial pressure have people worried about their finances in the short term. How much time do people spend worrying about money, and what kind of negative impact does this have on mental health?

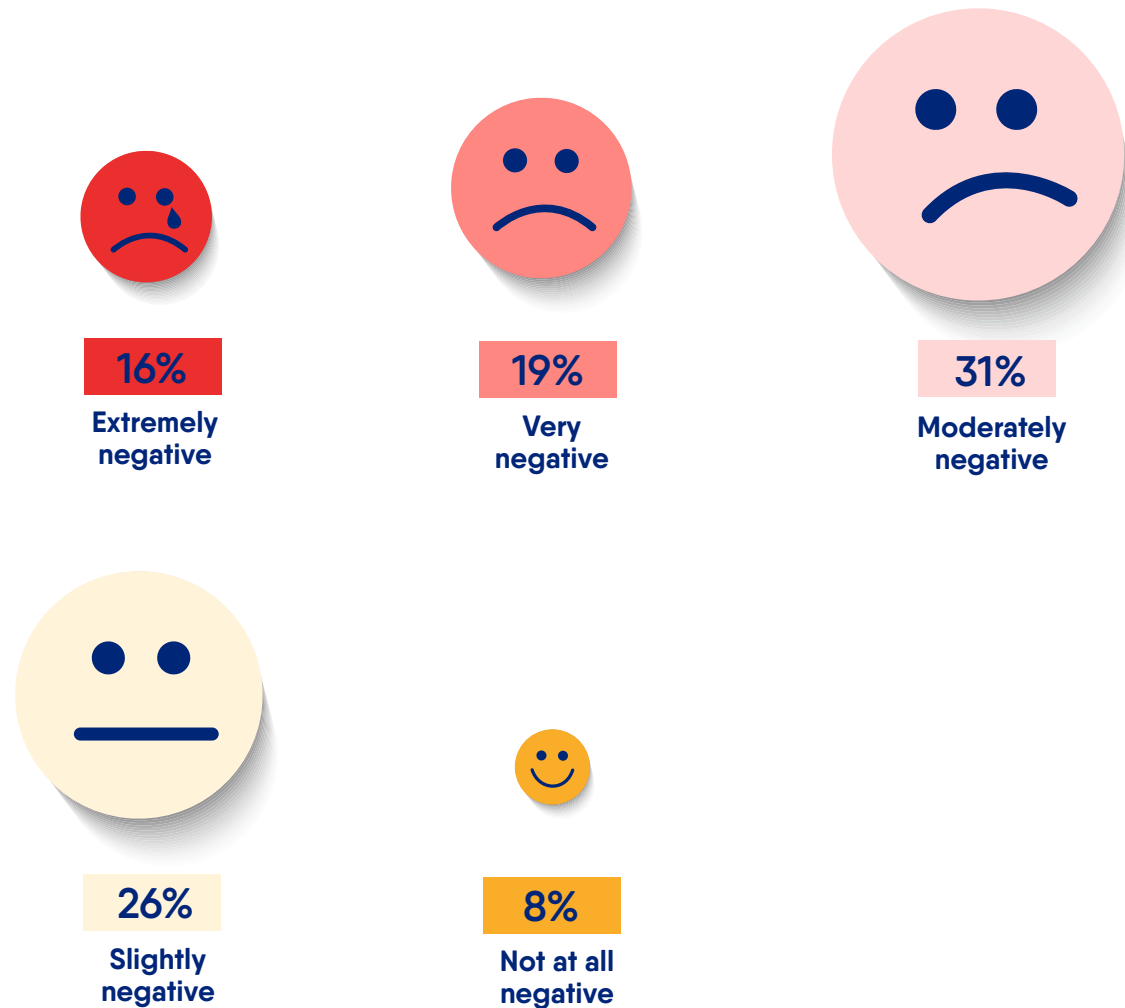
54% spend time worrying about their financial situation at least once a day, with 63% spending most of the week preoccupied with this concern. Below is the breakdown of how often the general working population worries about their financial situation.

In a typical week, how often do you find yourself worrying about your financial situation?



And it's affecting an overwhelming majority of us. 92% of all respondents cited that their finances have a negative impact on their mental health, with about 2 out of 3 (66%) noting at least a moderate negative impact

How much of a negative effect do your finances have on your mental health?



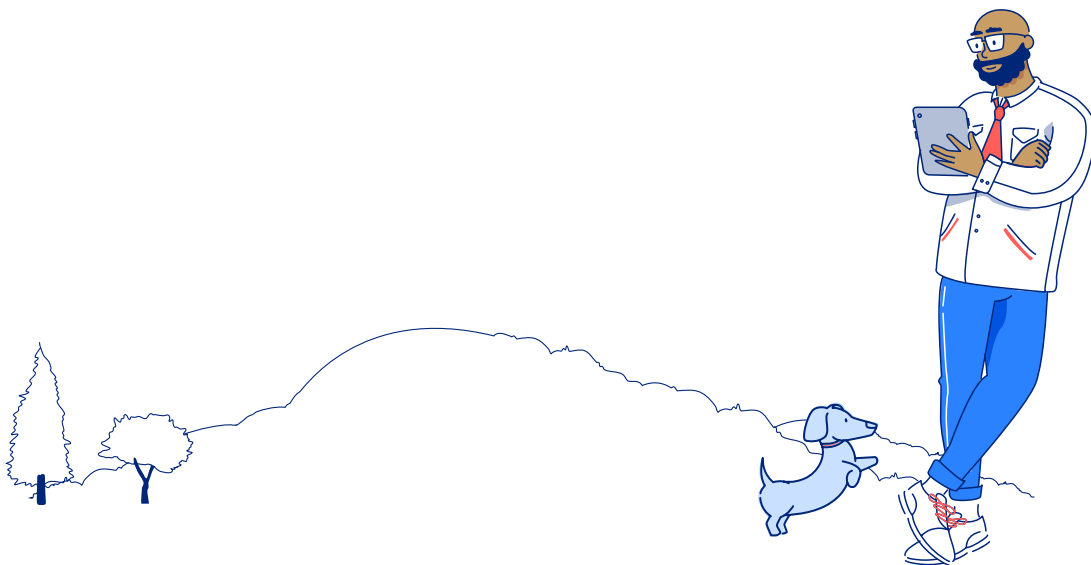
Two groups specifically reported higher levels of mental health impact, with 95% of women and 93% of Hispanics/Latinos saying their finances negatively affect their mental health.

Black employees, mental health, and equity

The data show that Black employees are more resilient to the current financial squeeze despite similar numbers in financial wellness metrics compared to the general population.

While 35% of the general population worries about their finances over the next six months, only 18% of Black respondents do. 73% of Black employees are more confident about their financial futures over the next six months, compared to 49% of the general population. And 42% report their productivity at work to be unaffected by their current financial situation, compared to 35% of the general population.

A [September 2022 report](#) by the Financial Health Network offers a potential explanation for why historically advantaged groups may report more stress around financial issues than historically disadvantaged groups, such as Black employees “Declines [in financial health] for some of these groups may be a reflection of their already greater financial health: Unlike factors such as inflation, which likely affected virtually all socioeconomic and demographic groups, historically advantaged groups were in a position to more acutely experience reductions in long-term savings. As such, those who owned investment accounts were directly exposed to the volatility in financial markets, which may have reduced their savings. **Historically marginalized groups, on the other hand, may have never had savings large enough to incur comparable declines.**”



While the data show that Black employees report less of a negative mental health effect compared to other groups, attention must be paid to their ability to save and invest as a part of any DEI initiative, as their ability to build wealth has been restricted in the past by the following systemic factors:

- 1 | Redlining, which made it harder (if not impossible) for families of color to secure mortgages to buy homes, which is widely seen as one of the best ways to build generational wealth.
- 2 | Predatory lenders filled the vacuum created by mainstream lenders not operating in redlined areas, perpetuating systemic, [financial inequities](#) that have kept under-served consumers from accessing the financial mainstream and securing affordable credit.
- 3 | These non-traditional or alternative lenders and creditors [often don't report repayments to credit bureaus](#), which prevents borrowers from building up their credit history.
- 4 | These lenders are also [less regulated, even to this day](#), meaning they can charge exorbitant interest rates that cause borrowers to revolve expensive credit lines many times over in order to pay back the original debt.

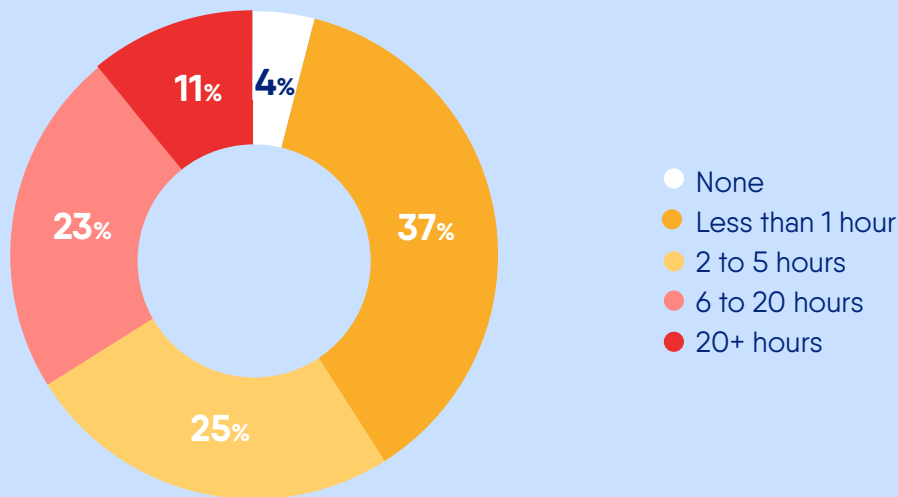


Worries bleeding into work

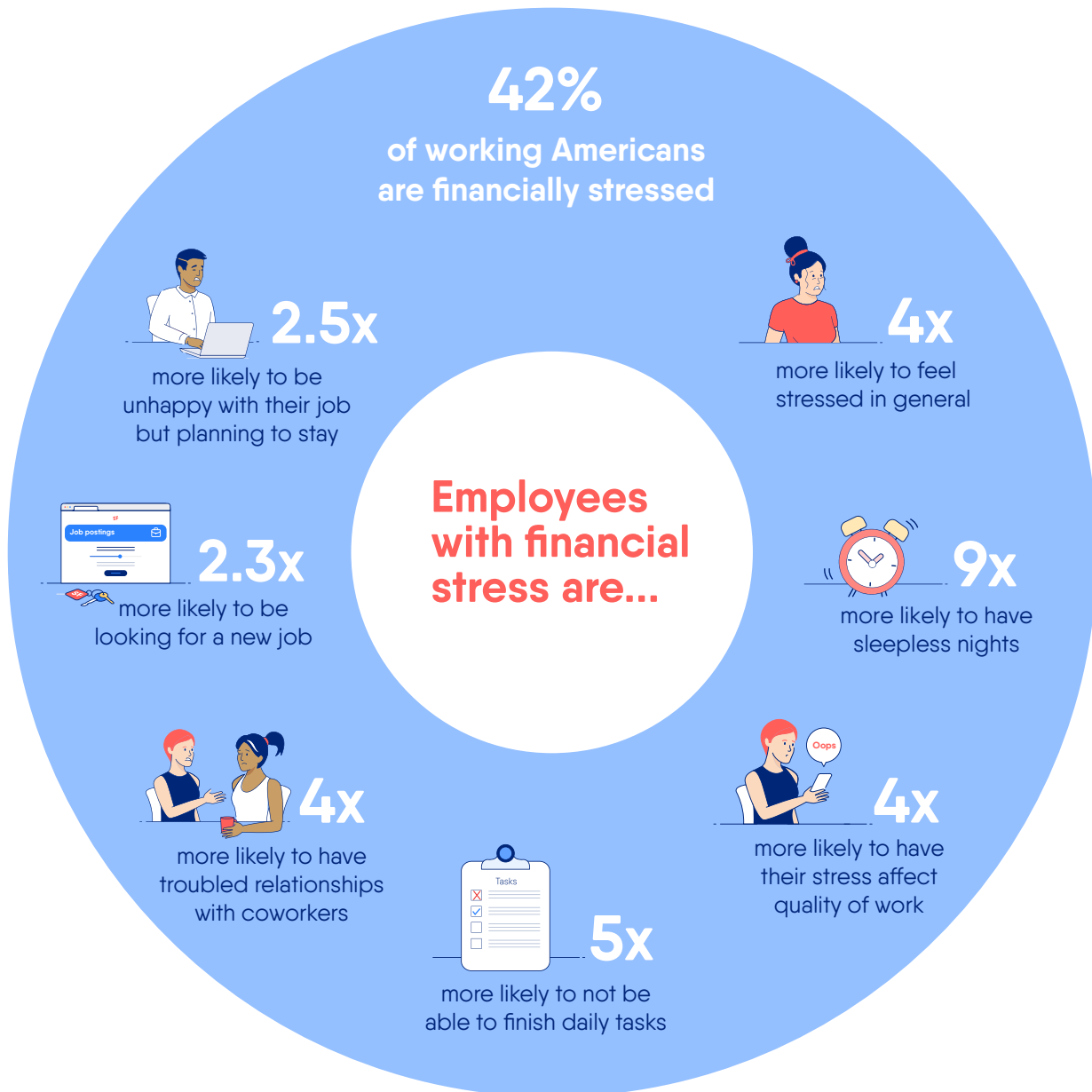
It's difficult to leave your stress **"at the door"**, so to speak, when you're on the clock - whether you're physically going into an office or work location, or working remotely. Added to the mental health impact we explored above, we found that financial stress cuts into productive work time.

We know financial problems are a huge stressor, and often times it must be dealt with during working hours. 59% of respondents spend at least one hour per week thinking about or personally dealing with financial issues while at work, and over a third (34%) of the total respondents surveyed spend at least five hours a week in this situation.

How many hours did you spend in the last week thinking about or dealing with personal financial issues while at work?



This time spent thinking about or dealing with personal matters affects overall engagement and productivity. Below are some data points from our [2021 Inside the Wallets of Working Americans](#) report, which outline the effects of financial stress on the professional and personal lives of employees.



What employees want

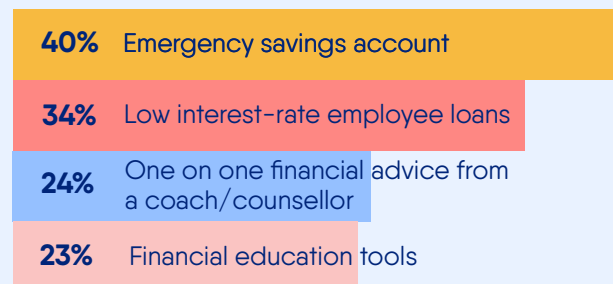
Even though record inflation has created a negative financial outlook for many employees, they report interest in employer-sponsored solutions that could help support their specific needs.

Almost three quarters of employees (74%) believe their mental health would improve and about the same number (73%) would be more likely to stay with their current employer if they were provided more financial wellbeing support and benefits. In fact, if provided these benefits, 38% of all respondents strongly believe their mental health would improve and 40% of all respondents would be much more likely to stay with their employer.

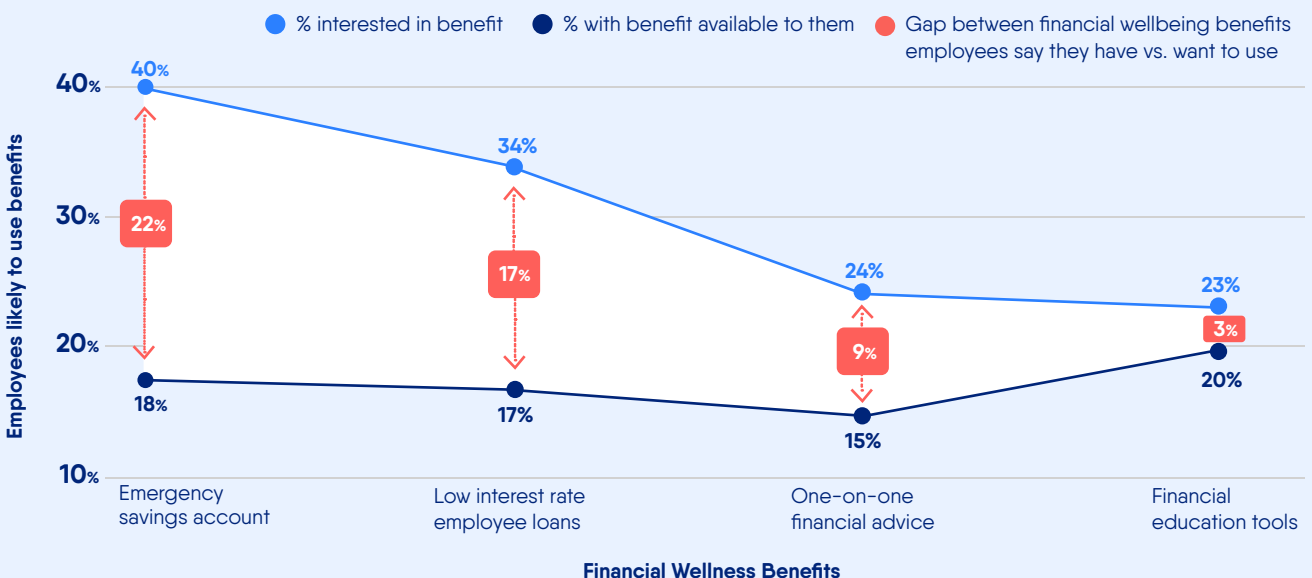
Unfortunately, only a minority of employees report currently having access to the workplace financial wellbeing benefits



Employees want these benefits, as shown by the data below where they report that they would be likely to use the following benefits in the next six months if offered by their employer:



Employee appetite for financial wellbeing benefits in the next six months



How employers can make a difference

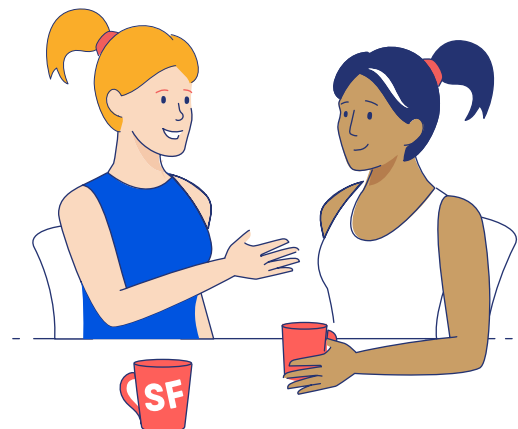
Employers can do little to fight inflation, and blanket wage increases are not always possible. Even if they were, the data have shown us that increased income does not guarantee financial wellness.

What the data have shown, however, is that you can offer solutions to meet the financial needs of your current employees, address mental health issues, improve engagement and productivity, and better attract new talent.

It remains uncertain when these rising costs will stabilize in the future. In the meantime, employers can prevent their workforce from succumbing to potential negative long-term consequences of this cost of living squeeze.

Providing the ability to withstand unexpected financial shocks exacerbated by these rising costs can help set your employees up to emerge from the current environment in better financial health, ready to invest in their futures with optimism.

It's worth remembering that many employees are already on the edge of financial precarity, with little resources to withstand common financial shocks. These employees are one unfortunate event away from resorting to expensive debt and other less than ideal borrowing options. Those who barely make ends meet could easily enter into a spiral of costly debt from a single financial shock, if they're forced to resort to expensive credit cards and/or payday loans. The ripple effects of such an event could affect their finances for months or even years.



The four steps below provide a good basis to support the financial wellbeing of your workforce, so they can have a better chance of entering the future with optimism, and as more engaged and mentally healthy employees.



1 | **Assess employees' financial wellness**



2 | **Focus on supporting pockets of your population who need it most**



3 | **Provide tools to support managers and employees**



4 | **Act now, since we're all feeling the squeeze**



Assess financial wellness

Although it may sound daunting, assessing employees' financial wellbeing doesn't have to be a drawn-out, laborious, or expensive process. Here's three ways you can start:



Analyze your current data

Have 401(k) opt-outs, loans, and contribution levels changed over the past year?
Are employees participating in voluntary benefit programs at the same rate as last year?
Have employee retention rates or NPS scores changed over the past year?
Have you seen any feedback from exit interviews or other employee surveys mentioning financial stress?



Collect new data to understand your workforce

Add new questions to existing employee surveys
OR create a brief survey specifically around financial wellness



Gather feedback from trusted stakeholders

Employee Resource Groups, managers, HR Business Partners, and other People leaders within your organization may be able to share valuable anonymous insight they're hearing from employees

Even one or two of these steps will provide valuable insight into your employees' financial wellness. You can use this data to determine the specific set of solutions that would best support your workforce's pain points.



Support those pockets of your population who need help most

While inflation affects almost everyone to some degree, our findings have shown that certain populations have been hit harder in the past year.

Women have clearly borne the brunt of this cost of living squeeze. Gen X and Baby Boomers struggle during the best years of their careers or as they near retirement. High-income earners are not immune to this financial pressure, and increasing income isn't a cure-all. And Black employees, although more resilient to some of these effects, were largely not on equal financial footing in the first place.

Financial wellness initiatives can enhance DEI strategies to provide equitable treatment to those groups who have traditionally faced systemic and cultural disadvantages when participating in our economic system. As we outline in our recently published [whitepaper](#), financial wellbeing benefits can materially improve the mental health and outlook of these traditionally marginalized groups.

Another population not explicitly captured in this report are those with subprime credit histories. You likely have some employees in your organization who meet this description. Regardless of their circumstances, their options to combat financial shocks are limited or very costly, and providing solutions for this group, [who are disproportionately minorities and women](#), can reinforce the goals of your DEI initiatives.





Provide tools to support managers and employees

Consistent communication with your employees via multiple channels ensures that they can maximize the use of existing resources, as well as take advantage of new offerings.

According to our data, employees prefer to be informed about benefits available to them in these ways:



Email - 58%



Directly from manager - 44%



In-person employee benefits event - 38%



Text message - 32%



Message on paycheck - 29%

Key team leaders and managers within your organization can be an effective tool to support employees, since many prefer to talk directly with managers about benefits. Initiatives like [destigmatizing debt within the workplace](#), for instance, can build trust between employees and managers and help employers understand and support financial wellness issues.

Now is the time to make the workplace a safe place for employees to talk about their financial wellbeing because we're all in the same situation with rising costs continuing to squeeze our finances.

The best way to encourage conversation is to start it. Everyone has a money story to tell – it might even be yours that gets people talking. Find people in your business who are prepared to talk about their money story and be the focal point of honest conversation.



Act now, since we're all feeling the squeeze

Given the uncertain economic conditions, right now is the best time to implement financial wellbeing benefits. Take a look at a few open comments from our survey respondents when asked about the support they currently receive from their employers:



There really is no support for this

-Female, age 61-65, Full-time telecommunications administrator

Doesn't do anything for finances

-Female, age 56-60, Construction professional

They do nothing

-Female, age 31-35, Full-time construction associate



Given the gap in how many employees would like access to financial wellness benefits and how relatively few employers offer these benefits, now is the time to examine how you can bridge this gap. Consider the contrast in comments below taken from [interviews](#) with employees who have access to financial wellness benefits:

[My employer is] showing how much [they want to] help you through catastrophes or just get caught up on your bills, so you don't constantly have to stay in the circle of paying your bills and [them] never going down

-Kelly

It just made me like my employer more because they're not just paying me, they're also helping me in the financial aspect as well as the health aspect as well as mental health.

-Monique

My goal is to become debt free and both my employer and Salary Finance are helping me to be well on my way

-Kristina

Offering financial wellness benefits can differentiate you from the majority of other employers, as well as support your employees who face a financial shock as budgets are stretched.

Similarly to how employers have bridged the gap in retirement, healthcare, and mental health benefits, you can be on the forefront of providing for financial wellbeing to support holistic employee wellness.

Salary Finance's lending, saving, and learning tools support these financial wellbeing goals, all at no cost to the employer.

Join us in bridging the financial wellbeing gap

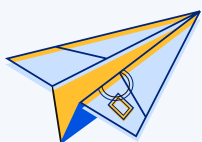
We understand the profound impact personal finances have on our health, happiness, and home and work life.

Our mission is to help millions achieve financial health and happiness. We do this by partnering with employers to provide a holistic suite of salary-linked employee financial wellbeing benefits, all at no cost to the employer.

Our comprehensive, award-winning benefits offering currently reaches over 4 million employees in the US and UK, helping them get on top of their finances by learning and building positive financial habits, borrowing responsibly, and saving simply.

Over 650 organizations have chosen Salary Finance as their trusted partner to help their employees reduce stress, improve productivity, and be happier and more engaged at work because they have taken control of their finances.

You can help your employees through this cost of living squeeze and transform their financial wellbeing.



Send us an email at hello.us@salaryfinance.com to book a demo - we'd love to learn more about your challenges and how Salary Finance can support the goals of your organization.

Salary Finance