

Family cash balances, income, and expenditures trends through 2021

JPMORGAN CHASE & CO.
INSTITUTE

Fiona Greig
Erica Deadman
Pascal Noel

A distributional perspective

MAY 2021

Executive Summary

Abstract

The COVID-19 pandemic resulted in unprecedented economic changes that impacted families' financial positions. In this report, the JPMorgan Chase Institute uses administrative banking data to assess checking account balances in conjunction with household income and spending. We analyze activity from 1.7 million families who were active checking account users between December 2018 and January 2021 to understand changes in household finances during the COVID-19 pandemic. We find that cash balances temporarily increased by roughly 70 percent after the arrival of stimulus payments in April 2020 and January 2021, with lower-income and younger account holders experiencing the largest balance increases on a percent basis. Balances fell continuously after the stimulus payments,

with faster spend-down for families that are lower-income, younger, or working in essential industries. Furthermore, the mechanisms for initial pandemic balance increases differed by family income. Despite greater job losses, low-income families experienced balance increases driven by increases in income, due in part to government supports. High-income families, in contrast, experienced balance increases despite decreases in account inflows because of large concurrent decreases in account outflows. Altogether, our results offer new insights into families' financial lives and cash balances during the COVID-19 pandemic, and contribute to the ongoing understanding of the economic impacts of the pandemic and associated government supports.

About the Institute

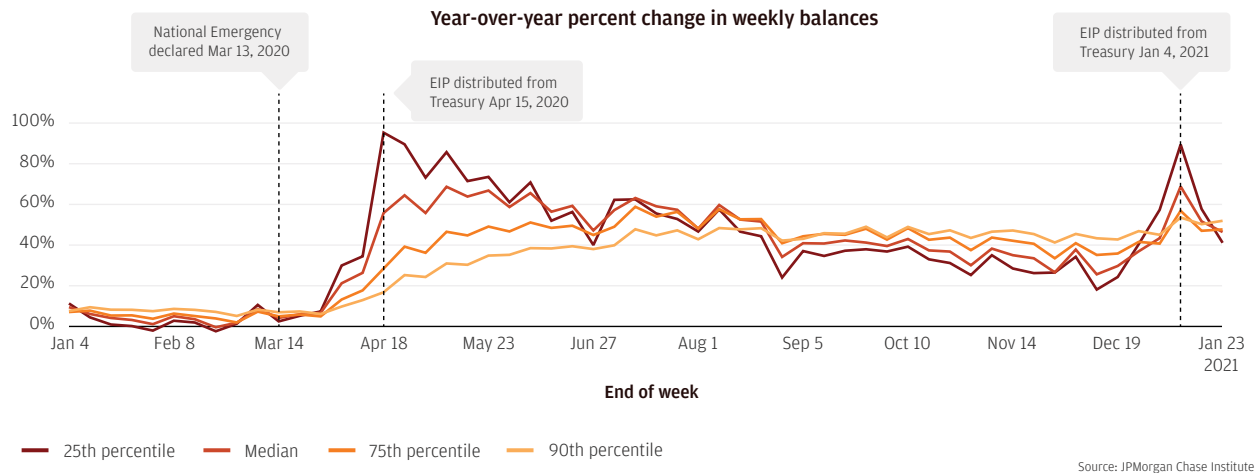
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The mission of the JPMorgan Chase Institute is to help decision makers—policymakers, businesses, and nonprofit leaders—appreciate the scale, granularity, diversity, and interconnectedness of the global economic system and use timely data and thoughtful analysis to make more informed decisions that advance prosperity for all.

Executive Summary

Finding 1: Cash balances increased temporarily by roughly 70 percent in April 2020 and January 2021, after the arrival of stimulus payments, but fell continuously after those payments.

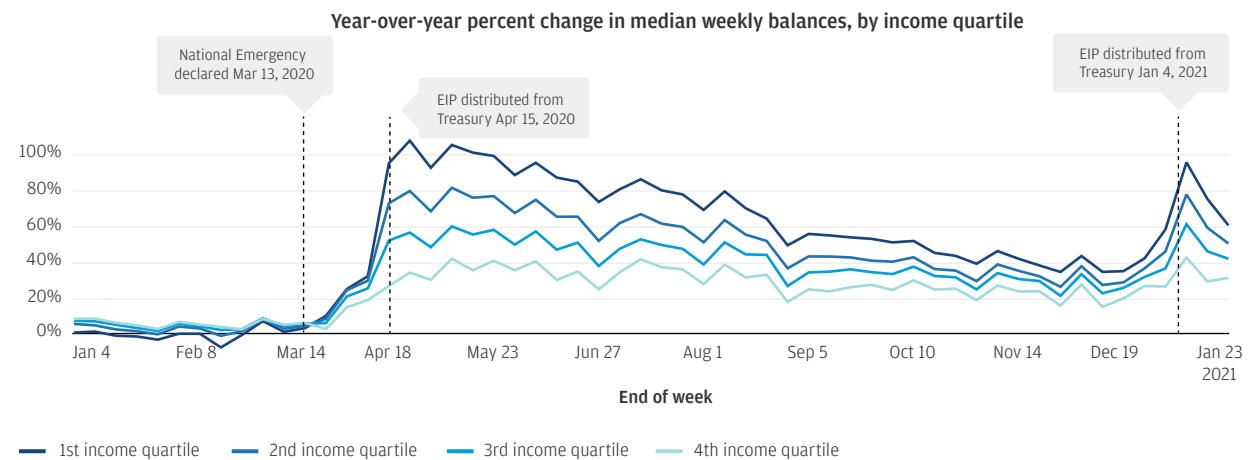
Balances increased across the distribution, with greater relative percent changes at the low end



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Finding 2: Households with lower starting liquid balances—lower-income and younger account holders—experienced the largest balance increases on a percent basis, but lost those initial balance gains the fastest.

Low-income families saw the greatest year-over-year percent balance gains, but depleted those gains faster than high-income families



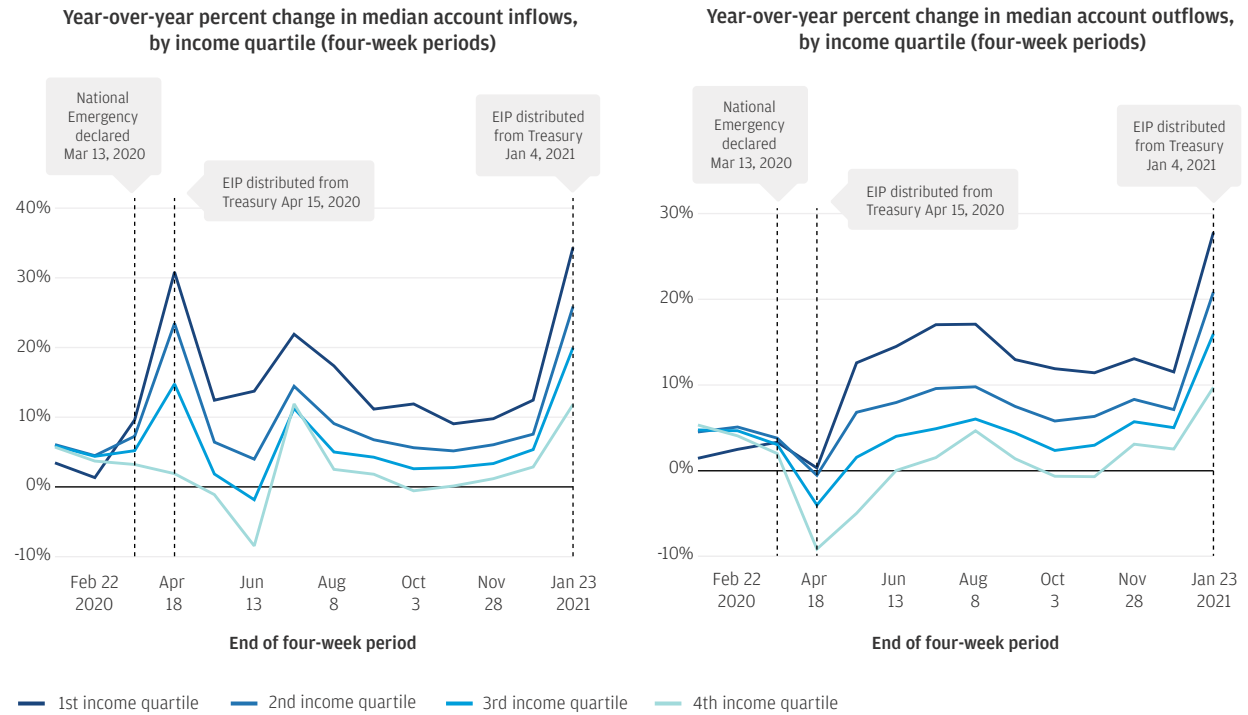
Note: We assign households into income quartiles based on their total labor income from 2019. Households in income quartile 1 earned between \$12,000 and \$30,296 in labor income; quartile 2 households earned \$30,296 to \$44,955; quartile 3 households earned \$44,955 to \$68,896; and quartile 4 households earned more than \$68,896.

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Finding 3: We see faster spend-down in liquid assets among families with essential workers.

Finding 4: Initial pandemic balance increases for low-income families were driven by increases in account inflows, while high-income families offset decreases in inflows by larger decreases in outflows.

Balances grew initially due to increased account inflows and decreased outflows



Note: We assign households into income quartiles based on their total labor income from 2019. Households in income quartile 1 earned between \$12,000 and \$30,296 in labor income; quartile 2 households earned \$30,296 to \$44,955; quartile 3 households earned \$44,955 to \$68,896; and quartile 4 households earned more than \$68,896.

Source: JPMorgan Chase Institute

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Finding 5: Income increased for low-income households despite greater job losses, due in part to government supports.

Finding 6: After initial spending decreases across the income distribution, low-income families rebounded to higher-than-usual spending while high-income families remain roughly at parity with prior trends.

Data Explanation

Executive Summary: Weekly balances, February 2019 through January 2021

Line graph showing the mean and median weekly checking account balances for 2019 and 2020, February through January of the following year. The trend of this graph shows the average balance rising throughout the spring, stabilizing after April 15, remaining steady throughout the remainder of 2020, and increasing again in January 2021. The median balance was up in the spring and then decreased.

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Executive Summary: Year-over-year percent change in median weekly balances, by income quartile

Line chart showing the year-over-year percent change in median weekly checking account balance by income quartile. The trend shows the lowest-income families saw the largest year-over-year gains in percentage terms and a quicker depletion of the gain in balance. In contrast, the highest-income families had the lowest year-over-year percent gains in balance. In January 2021, balances were up the most for the lowest earners in percent change terms.

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Executive Summary: Year-over-year percent change in median account inflows by income quartile (four-week periods)

Line plot showing the year-over-year percent change in median account inflows by income quartile. Income quartiles 1-3 exhibit an inflows peak in April 2020. Inflow levels remain elevated for the remainder of the summer before gradually falling. In contrast, account inflows for income quartile 4 decrease relative to 2019 in April and May. January 2021 brings an inflow spike to all income groups.

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Executive Summary: Year-over-year percent change in median account outflows by income quartile (four-week periods)

Line graph showing year-over-year percent change in median account outflows by income quartile. Account outflows decrease in April 2020 for each income group, and then rebound in the following periods, peaking in July before decreasing to settle at a lower steady state. In January 2021, we see large spikes in outflows.

[View chart version](#)

Acknowledgments

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