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60% of Credit Card Debtors Have Been in Debt for At Least One Year, Up From 50% in 2021

About half with credit card debt say job loss continued high inflation and further interest rate increases would majorly impact their ability to make minimum payments

NEW YORK – September 19, 2022 – As credit card annual percentage rates (APRs) approach an all-time high, and the Federal Reserve is soon likely to raise interest rates for the fifth time this year, 60% of credit card debtors say they have been in credit card debt for at least a year, according to a new CreditCards.com report. Further, more than half of credit card debtors say that losing their job (53%) and continued high inflation (51%) would have a major impact on their ability to make minimum payments over the next 12 months. Slightly fewer (46%) believe additional interest rate increases would have a major impact. Click here for more information:

https://www.creditcards.com/statistics/credit-card-debt-poll/

Overall, nearly half of credit cardholders (48%) carry credit card debt from month to month. Of those with credit card debt, 3 in 5 (60%) have been in debt for at least a year, up from 50% in 2021. 2 in 5 credit card debtors (40%) have been in debt for at least two years (up from 32% in 2021), 28% for at least 3 years, and 19% for at least five years. 8% say they do not know how long they have been in debt.

While credit card debt is most prevalent among the lowest income bracket (59% of cardholders with under $50,000 in annual household income), it is not exclusively a low-income issue. For cardholders in middle-income households, nearly half of those earning $50,000 - $79,999 annually (49%) and $80,000 - $99,999 annually (46%) have credit card debt, while more than one-third (37%) of cardholders with annual household incomes of $100,000 or more also carry balances from month to month.

When asked about the biggest reason why credit card debtors carry a balance month to month, nearly half (46%) cited an emergency/unexpected expense, including an emergency/unexpected medical bill (11%), home repair (10%), car repair (10%), or some other emergency/unexpected expense (16%). Likely a product of continued inflation, nearly 1 in 4 credit card debtors (24%) said day-to-day expenses (e.g., groceries, child care, and utilities) are the primary reason why they have credit card debt, while 11% pointed to retail purchases (e.g., clothing and electronics), and another 11% said vacation and/or entertainment expenses. 7% said some other reason was primarily to blame for carrying credit card debt month-to-month.

Notably, millennials with credit card debt (ages 26-41) are most likely (31%) to say that day-to-day expenses are the primary reason that they carry a balance from month to month, ahead of Gen Z (26%; ages 18-25), Gen X (24%; ages 42-57), and baby boomer credit card debtors (20%; ages 58-76).

Credit card debtors in lower-income households are also more likely to point to day-to-day expenses, with 27% both households earning under $50,000 annually and between $50,000 - $79,999 annually citing those types of purchases as the primary reason they carry a balance month to month, compared to 22% of credit card debtors in households earning between $80,000 - $99,999 annually and 17% earning at least $100,000 annually.

"Even though Americans' total credit card balances are down 4% from late 2019, according to the New York Fed, our data is further evidence of the K-shaped economy," said Ted Rossman, senior industry analyst at CreditCards.com. "While many people are doing better, sadly, many others are doing worse. The percentage of people who have been in credit card debt for at least a year increased substantially – a whopping 10 percentage points from last year. If you're struggling with credit card debt, my top tip is to sign up for a 0% balance transfer card. These promotions last as long as 21 months. Low-rate personal loans and nonprofit credit counseling can also be useful debt payoff strategies."

Further, as recession worries grow, credit card debtors are more likely than cardholders overall to say that losing their job (53% vs. 45% respectively), continued high inflation (51% vs. 41% of cardholders overall), and additional interest rate increases (46% vs. 34% of cardholders overall) would have a major impact on their ability to make minimum payments over the next 12 months.

However, these concerns are not limited to credit card debtors. Of the 52% of credit cardholders who pay in full and avoid interest, 39% say that a job loss would have a major impact on their ability to make minimum payments over the next year. Nearly one-third (32%) say continued high inflation would have the same effect, while 23% say additional interest rates would have a major impact on their ability to make minimum payments over the next 12 months.

"Credit card debt is easy to get into and hard to get out of. High inflation and rising interest rates are making it even harder to break free," Rossman added. "If you have the average credit card balance ($5,270 according to TransUnion) and you only make minimum payments at the average interest rate (18.17%), you'll be in debt for more than 16 years and will end up paying a grand total of $11,875. This helps illustrate why it's so important to pay way more than the minimum."

Methodology:

CreditCards.com commissioned YouGov Plc to conduct the survey. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,419 adults, of whom 1,834 have a credit card and 879 carry a credit card balance from month to month. Fieldwork was undertaken August 24-26, 2022. The survey was carried out online and meets rigorous quality standards. It employed a non-probability-based sample using both quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

About CreditCards.com:

CreditCards.com is the ultimate credit card destination and the largest marketplace of credit card offers you can find online, along with relevant news, advice, features and user-friendly tools. Our mission is to help consumers seize greater opportunity through smarter spending, and we believe that the right credit card, used the right way, can be a life-changer.

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