EPC Electronic Payments Coalition

New Study Shows Credit Card Rewards Are a *Lifeline* for Working Class Americans

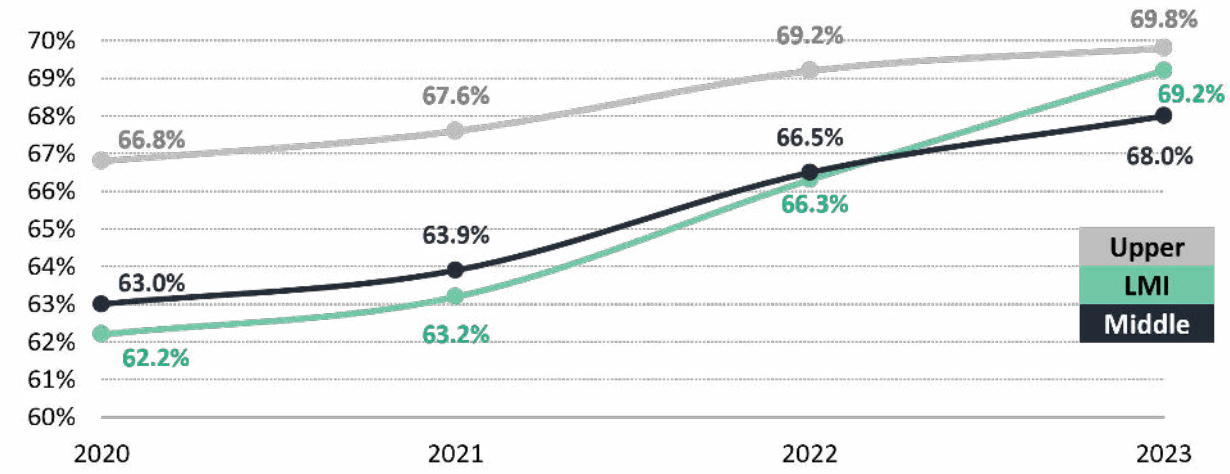
LMI cardholders use cashback rewards to supplement daily expenses, combat rising inflation

The Electronic Payments Coalition released a new report examining how American consumers, including lower-income consumers, utilize reward credit cards and how proposals restricting card issuers' ability to offer reward credit cards would adversely impact cardholders of all incomes. The study found the share of credit cards offering rewards is nearly identical across income and cardholders, regardless of income, earn rewards at virtually equal rates.

KEY TAKEAWAYS:

- Among LMI accountholders, earned rewards are equivalent to a 17 cent a gallon annual discount at the gas pump.
- Cardholders with incomes less than $60,000 redeem rewards at rates consistent with upper income cardholders.
- Nearly 70% of LMI cardholders utilize reward cards, fastest growing segment of reward cardholders.
- Rewards have a significantly larger financial impact on LMI cardholders than higher-income cardholders, in terms of the boost they provide to annual income.

Rewards Cards as a Share of Total Credit Cards, 2020–2023, by Income Segment

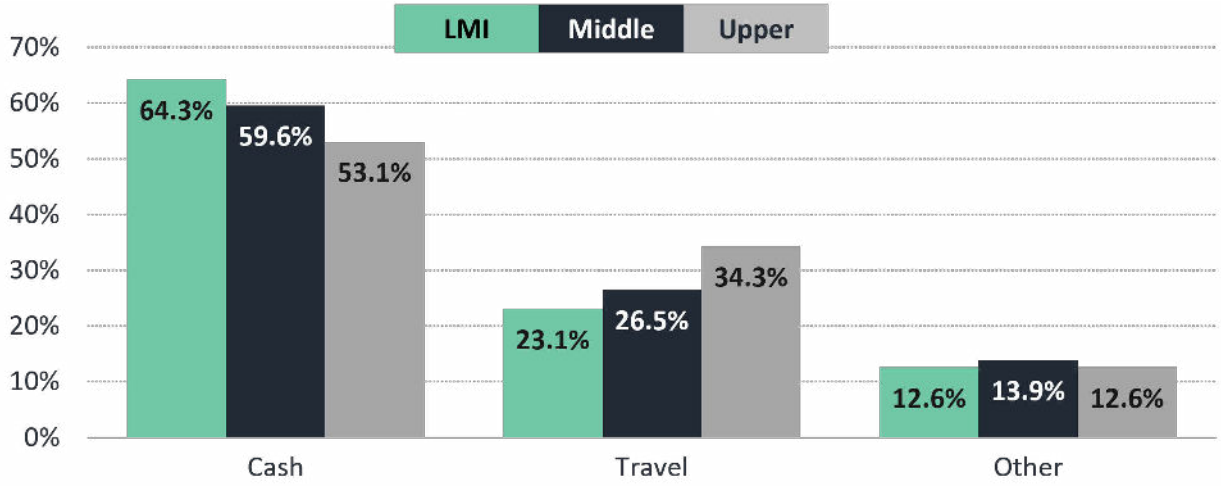


- Rewards card ownership has risen across all income segments, but the share of cards that offer rewards has increased the most for LMI accounts, rising seven percentage points from 62.2% to 69.2%.
- The share of credit cards that offer rewards is now nearly identical across LMI, middle-income, and upper-income segments.

Rewards Earned and Redeemed per $100 Spent in 2023, by Income Segment

- LMI, middle-income, and upper-income rewards accounts earn roughly 1.8 cents in rewards per dollar spent.
- Each income segment redeems rewards at essentially the same rate.

Share of Rewards Redeemed in 2023, by Type of Reward and Income Segment



All income levels have access to cash rewards, travel rewards, and "other" rewards (e.g., third-party gift cards and purchase credits), and each income segment takes advantage of each offering similarly.

BOTTOM LINE: Limiting the availability of reward credit cards would disproportionately affect low and middle income cardholders, particularly those most financially vulnerable.

Read the full study at www.electronicpaymentscoalition.org

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