



LegalShield®

# Consumer Stress Legal Index

April 2024

# About the LegalShield Consumer Stress Legal Index

- The LegalShield Consumer Stress Legal Index (CSLI) is a suite of leading indicators of the economic and financial status of U.S. households.
- The CSLI and subindices are constructed from LegalShield's proprietary data. Launched in 2018, the CSLI is based on a dataset of over 35 million consumer requests for legal assistance dating to 2002. The index examines findings from approximately 150,000 calls received monthly from U.S. consumers seeking legal help.
- This data is powerful, sourced directly from a large set of consumer actions, not survey results. Free from common survey challenges such as completion time and participants' availability, it offers clear insight into moments when consumers are compelled to seek legal help due to significant life impacts.
- Each request is logged as an "intake" in one of roughly 90 unique areas of law depending on the nature of the request. Each subindex reflects the number of intakes in an area of law as a share of total intakes across all areas of law in a given month.
- The CSLI is comprised of three subindices: Bankruptcies, Foreclosures, and Consumer Finance.
- The Consumer Stress Legal Index is a leading indicator of the Conference Board Consumer Confidence Index in the United States, with a correlation level of -0.85 with an approximate lead time of 60-90 days.



# Interpreting Each Component of the Index

## CONSUMER STRESS LEGAL INDEX

Consumer spending accounts for more than two-thirds of U.S. economic activity. The flagship Consumer Stress Legal Index tends to lead the Conference Board's Consumer Confidence Index by one to three months. The CSLI also provides a useful "hard" data check on the Consumer Confidence Index and similar measures of consumer confidence that are based on "soft" survey data, as these measures are not always consistent with underlying economic conditions.

## BANKRUPTCY INDEX

Bankruptcy data provide an important insight into the overall financial health of consumers and businesses. As witnessed during the Great Recession of 2008-09, an uptick in bankruptcies can foreshadow significant turmoil within the economy. The Bankruptcy Index tends to lead the trajectory of total bankruptcies by two quarters, with a .98 correlation, providing an early warning signal of an economic downturn.

## FORECLOSURE INDEX

A rise in foreclosures often signals a worsening of household finances, as households typically delay payments on other debt obligations in order to pay their mortgages on time. The Foreclosure Index closely tracks foreclosures as reported each quarter by the Mortgage Bankers Association.

## CONSUMER FINANCE INDEX

Consumer finance issues manifest in many forms including billing disputes, repossessions, credit challenges, and loan defaults. These varying items are an indication of financial stress that prompt consumers to seek legal guidance to resolve.

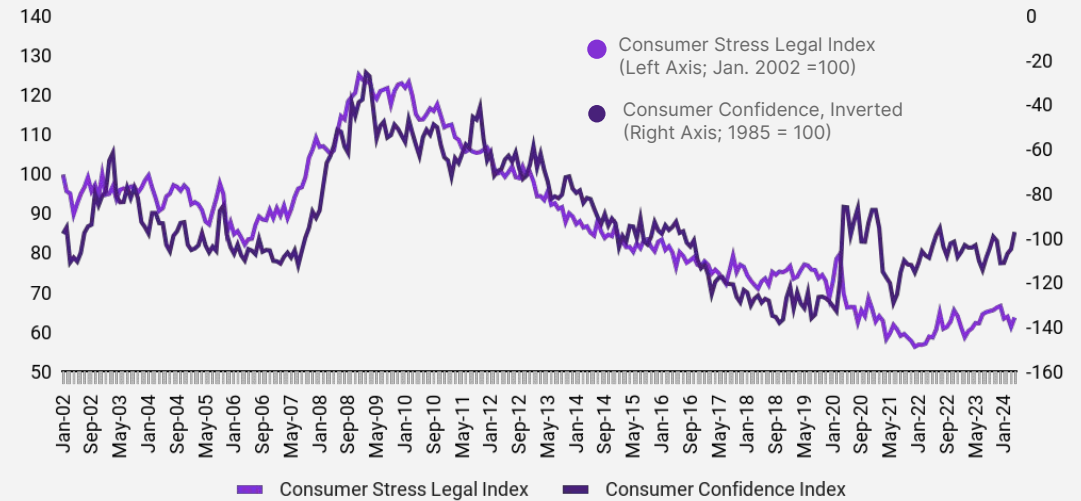
# Consumer Stress Legal Index

**Summary:** In April, the CSLI increased a **2.4** points month over month to **63.8**. That represents a **4.5%** increase year over year. The CSLI was pushed up as all three sub-indices increased in April.

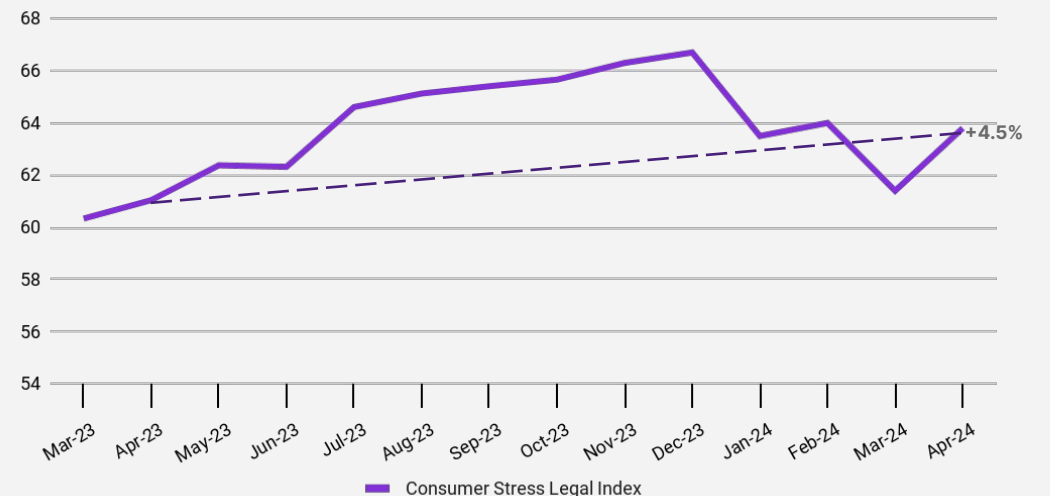
**What It Means:** The uptick comes off a 12-month low and seasonal downward trend in Q1. It coincides with a jobs report that fell short of expectations, with 175,000 jobs added. Unemployment also ticked up to 3.9%, slightly higher than the steady 3.8% most economists expected. The Consumer Price Index reported an increase of 0.3% in April, slightly below estimates. Annual inflation is still at 3.4%, in line with most economists' expectation. That rate is still above the Federal Reserve target of approximately 2.0% to consider lowering interest rates.

**Outlook:** The mixed macroeconomic signals indicate a level of uncertainty, but with rising prices and interest rates remaining steady, pressure on consumers continues.

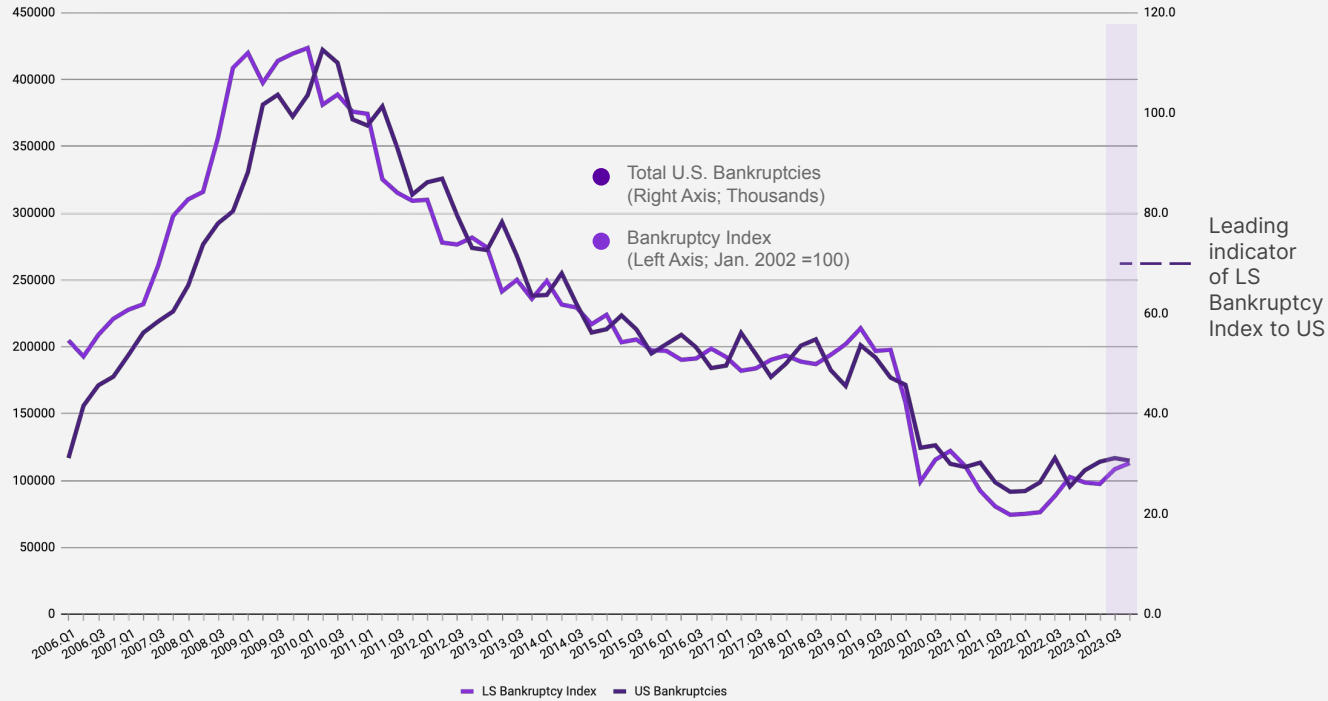
Historical Trend Over Past 20+ Years



LegalShield CSLI up 4.5% Year Over Year



**LS Bankruptcy Index vs US Bankruptcies Since 2006**



# Bankruptcy Index

**Summary:** The Bankruptcy subindex reflects the number of intakes related to bankruptcy as a share of total intakes across all areas of law.

The Bankruptcy subindex increased **1.1** points in April to **31.1**. That marks an increase of **35.0%** year over year.

The Bankruptcy subindex historically leads the total number of bankruptcy filings as reported by the U.S. court system by two quarters, with a .98 correlation.

**Outlook:** The Bankruptcy Index is on a steady rise since Q4 of 2021 after a sharp drop-off as pandemic relief funds hit in 2020. The Bankruptcy subindex appears to be creeping back to pre-pandemic levels.

**Bankruptcy Index Rise Toward Pre-Pandemic Levels**



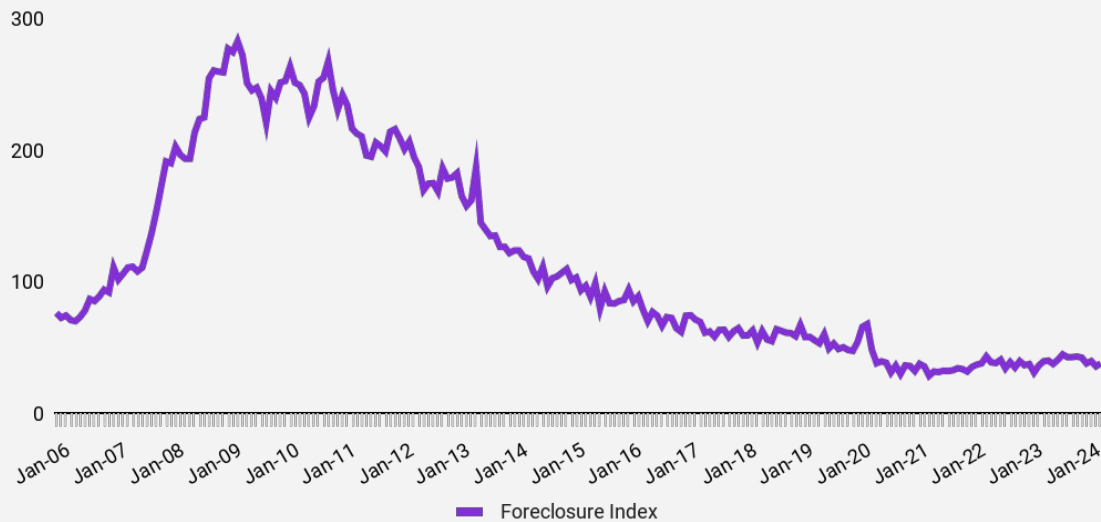
# Foreclosure Index

**Summary:** The Foreclosure subindex reflects the number of intakes related to foreclosure as a share of total intakes across all areas of law.

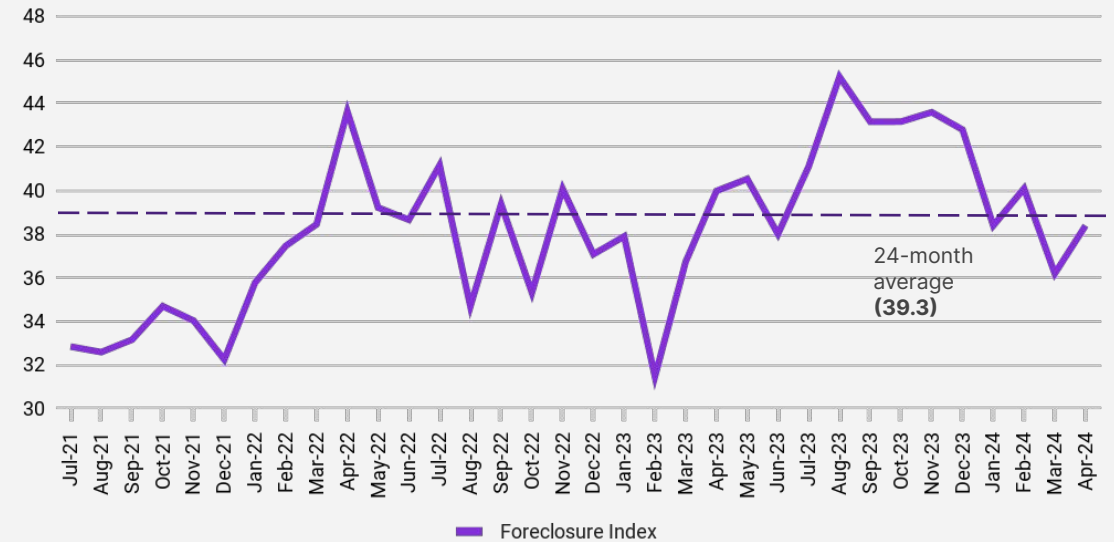
The Foreclosure subindex rose **2.2** points from February to **38.4**. That figure is down **4.0%** year over year and below the two-year average of 39.3.

**Outlook:** Beginning with the expiration of the federal foreclosure moratorium in July 2021, there has been a slow and steady increase in the Foreclosure Index as well as growing foreclosures reported across the United States. The index has held relatively steady near its 24-month average of 39.3. Our data suggests foreclosures will remain in that range in the near term.

### Historical Trends



### Movement Since Federal Foreclosure Moratorium Ended



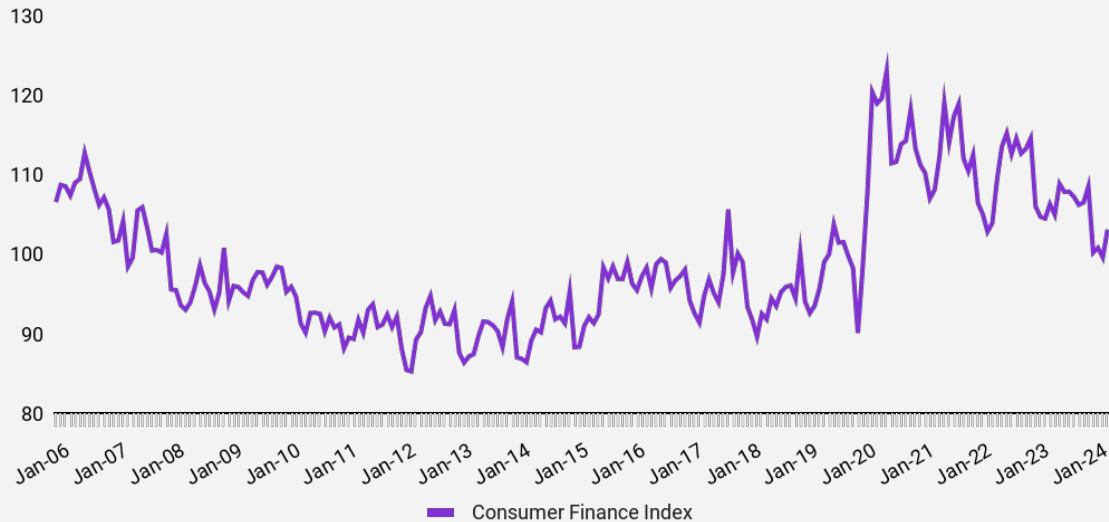
# Consumer Finance Index

**Summary:** The Consumer Finance subindex reflects the number of intakes related to consumer finance issues such as billing disputes, auto repossessions and payday loans, as a share of total intakes across all areas of law.

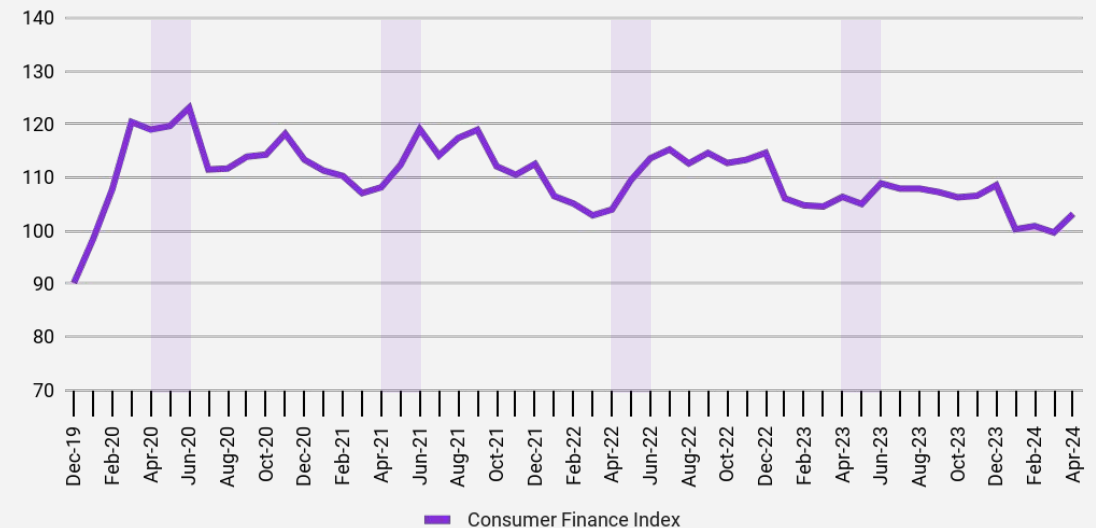
The Consumer Finance subindex moved up **3.5** points in April to **103.2**. That marks its lowest level since January 2020, just before the COVID-19 pandemic. The index is down **4.7%** year over year.

**Outlook:** The Consumer Finance Index moved up in April, kicking off what could be an increase in consumer stress through 2Q as it has each of the last 10 years. Continued inflation and elevated interest rates could contribute to the rise following March's lowest reading since January 2020.

### Historical Trends



### Initial Q2 Rise in Consumer Finance Index



# Electoral States - Consumer Stress Legal Index

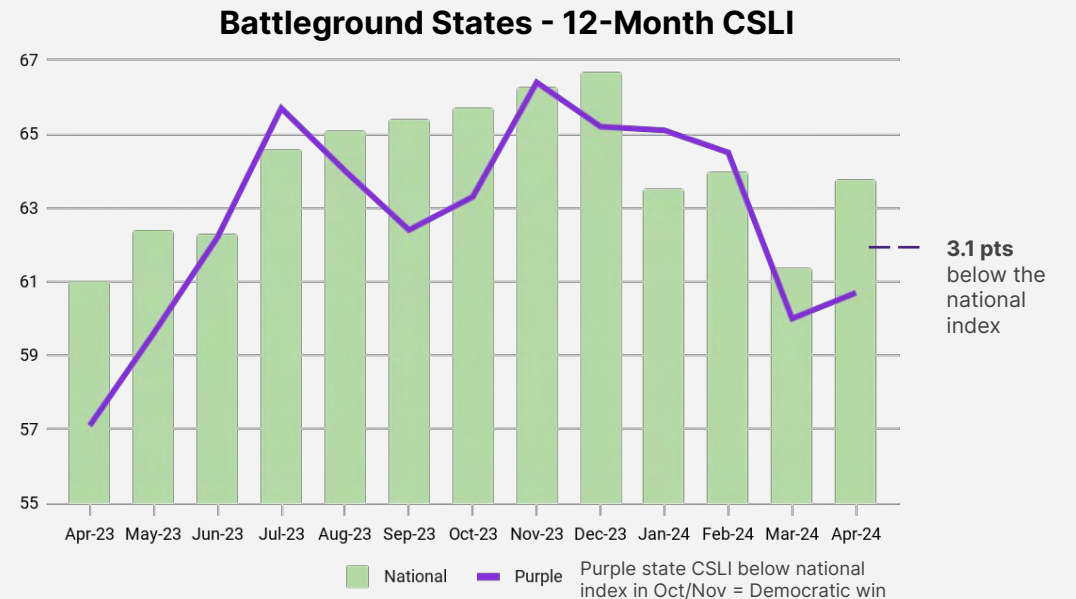
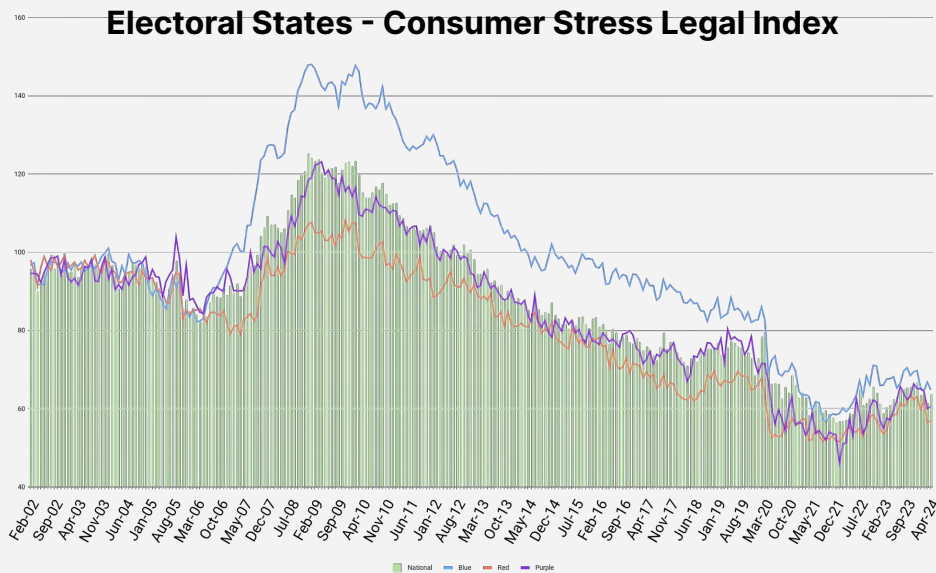
**Summary:** For the 2024 election cycle, LegalShield is breaking out consumer stress levels on a politically geographic basis, separating red, blue, and purple swing states. LegalShield classified states based on the outcome of the 2020 election. Swing states in April's study are Arizona, Georgia, Michigan, Nevada, North Carolina, Pennsylvania and Wisconsin.

When swing state consumer stress dips below the national stress average in October and November, conditions favor a Democratic win.

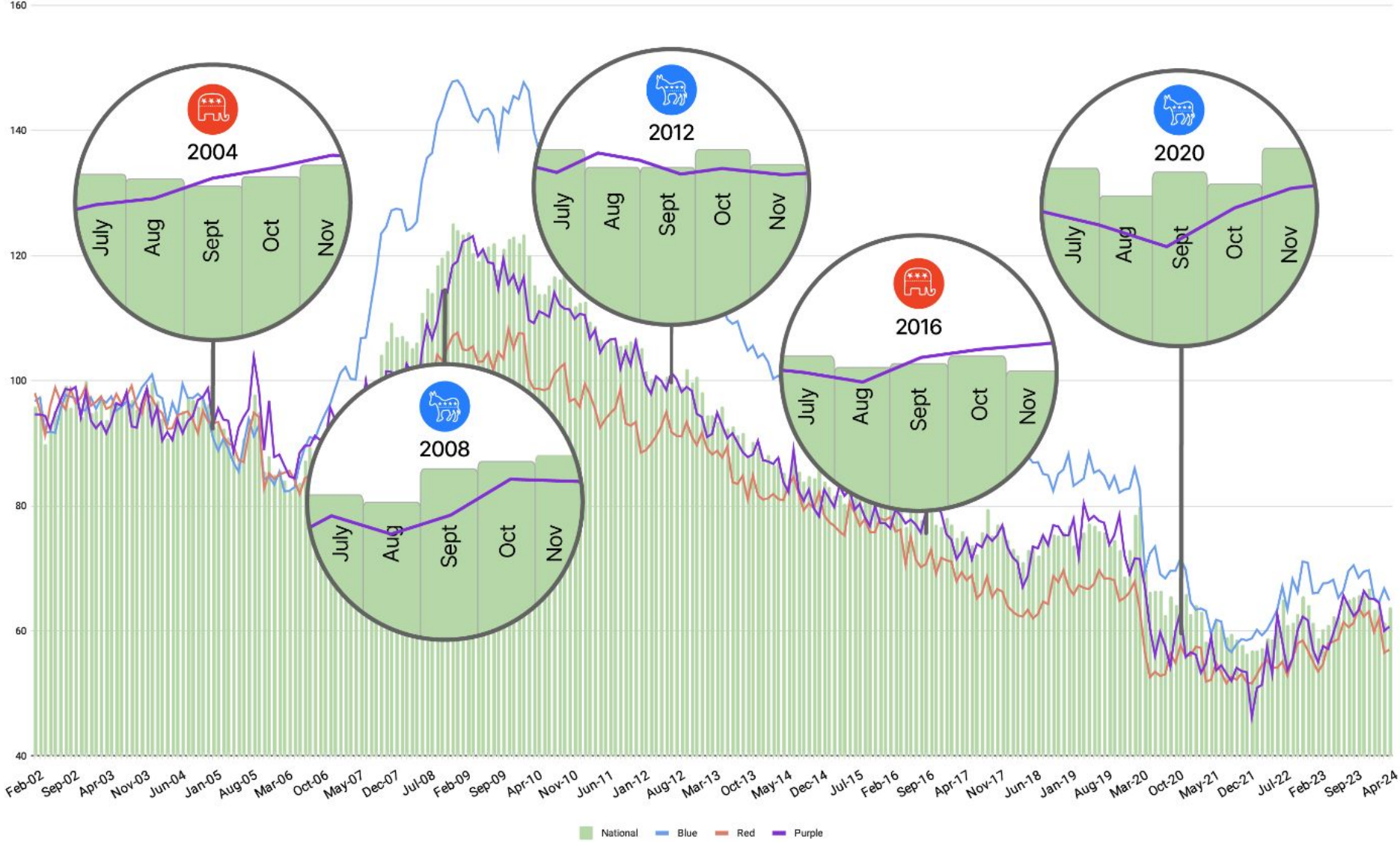
When it rose above the national index, a Republican was elected.

LegalShield's CSLI shows a growing divergence, with battleground states exhibiting lower stress compared to the country as a whole – a pattern that has historically preceded a Democrat elected to office, including in 2008, 2012, and 2020.

**Outlook:** The swing state stress is currently 3.1 points below the national stress index, despite rising slightly month over month as the national CSLI rose at a greater pace.

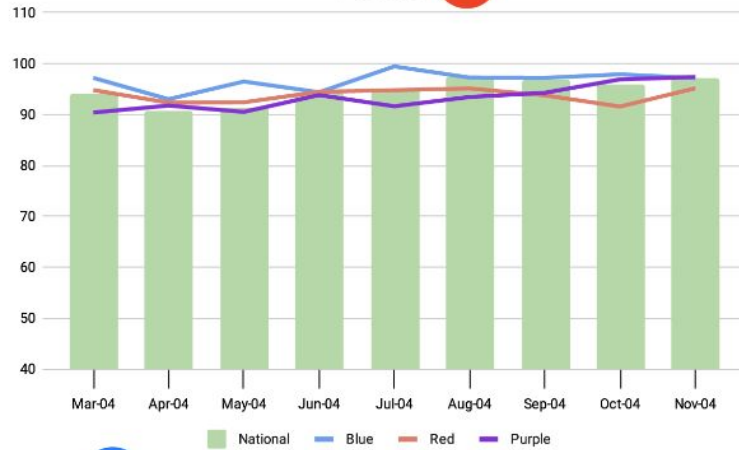


# CSLI Political Breakdown: Election Year Focus



# CSLI Political Breakdown: Election Years

2004 



2008 



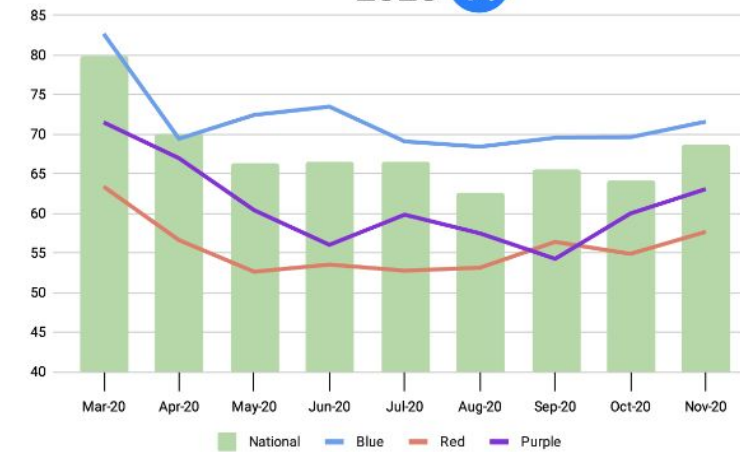
2012 



2016 



2020 

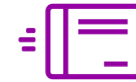




# About LegalShield



**Leader** of subscription-based legal plans to households across North America



**1.8 million+** memberships



**50+ year** history



Serving **140,000** businesses across North America



**40,000+** organizations served by our dedicated B2B division



**39 law firms in 50 states and Canada** with a total of 900 lawyers, and a referral network of 6,000 lawyers, with average of 22 years experience

**For more info**

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