



LegalShield®

# Consumer Stress Legal Index

Q4 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 Q4 2024, the CSLI decreased **0.7** points from Q3 to **67.3**.

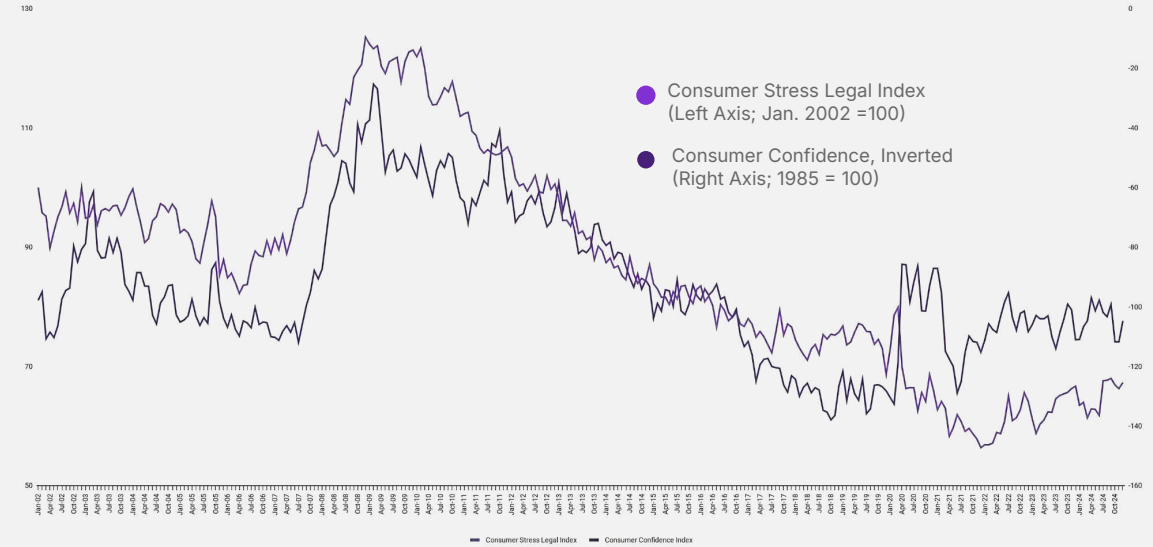
Monthly:

- October: **66.9**
- November: **66.3**
- December: **67.3**

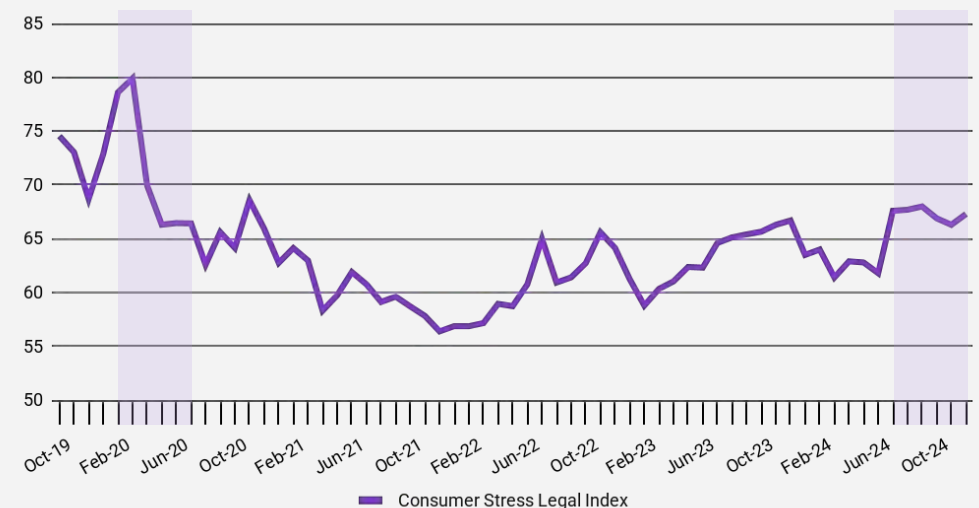
**What It Means:** The CSLI has remained elevated since a spike in July of 2024 with the last two quarters marking the highest sustained consumer stress levels since the onset of the pandemic in 2020. The index was driven up by steady increases in Bankruptcy and Consumer Finance inquiries.

**Outlook:** Persistent stress appears to be the “new normal.” Across the board, stress levels remain elevated but stable, reflecting a consumer base navigating persistent financial challenges.

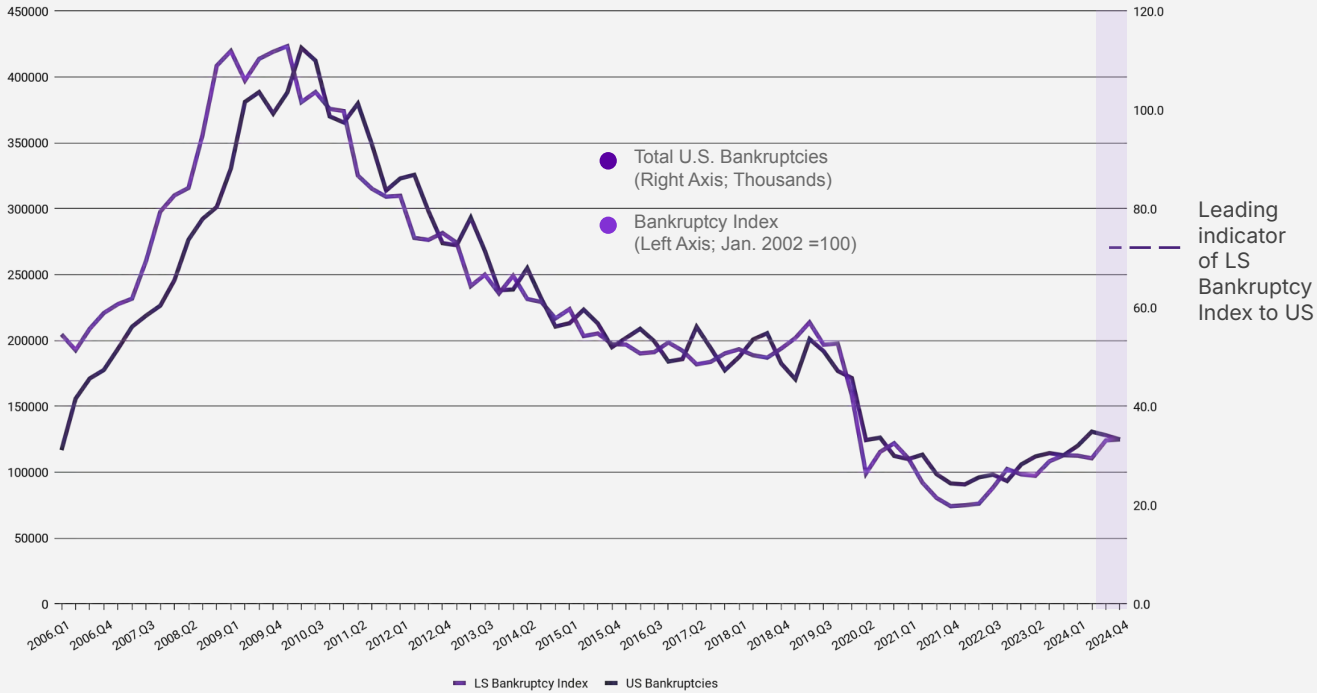
### Historical Trend Over Past 20+ Years



### Highest Sustained CSLI Since Onset of Pandemic



LS Bankruptcy Index vs US Bankruptcy 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.

In Q4 2024, the Bankruptcy subindex increased **0.2** points from Q3 to **33.3**.

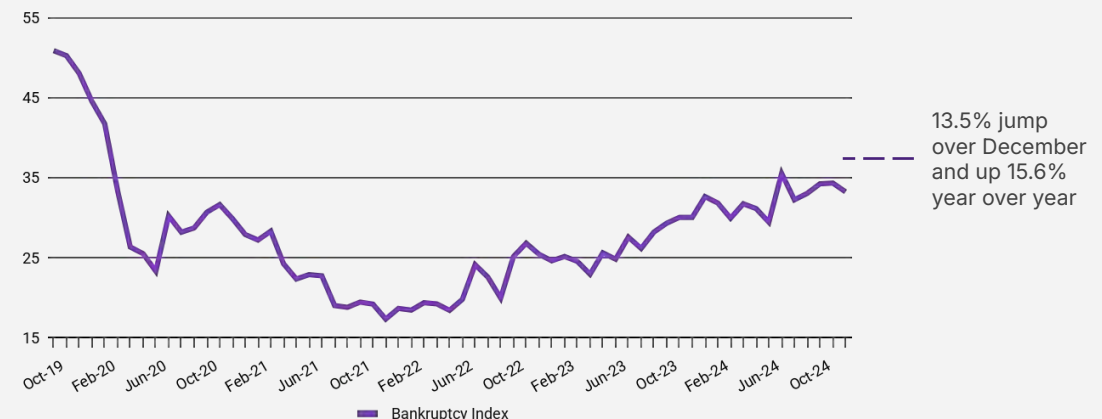
Monthly:

- October: **34.3**
- November: **34.4**
- December: **33.3**

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 subindex has seen a steady increase since November 2021 and is now hovering at a pre-pandemic level.

Bankruptcy Index Since Pre-Pandemic



# 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.

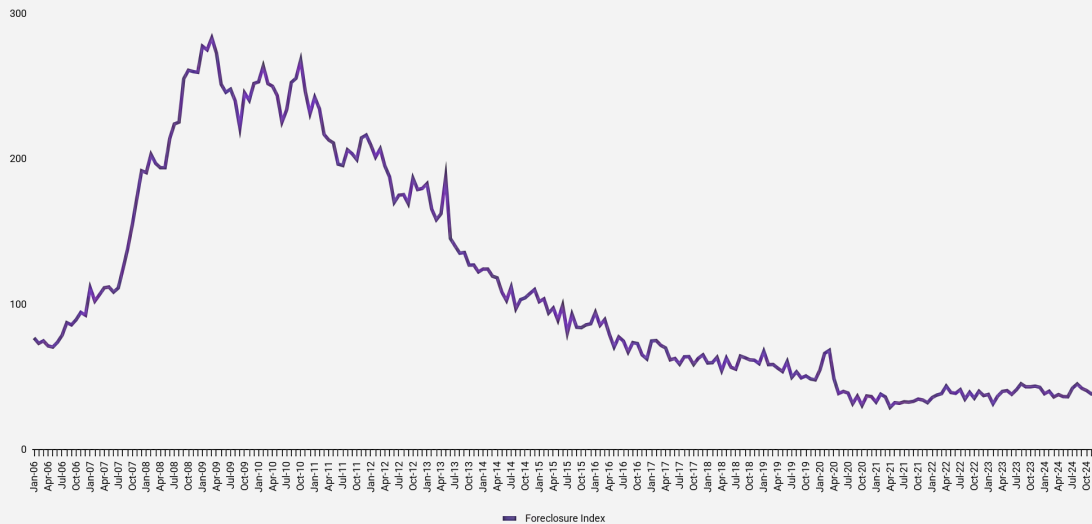
In Q4 2024, the Foreclosure subindex decreased **2.0** points from Q3 to **40.1**.

Monthly:

- October: **40.6**
- November: **38.3**
- December: **40.1**

**Outlook:** Beginning with the expiration of the federal foreclosure moratorium in July 2021, there has been a steady increase in the Foreclosure subindex as well as growing foreclosures reported across the United States. However, the Foreclosure subindex ended the fourth quarter down 6.3% year over year and continues to hover in a relatively consistent range.

### Historical Trends



### Foreclosure Index: 2-Year View



# 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.

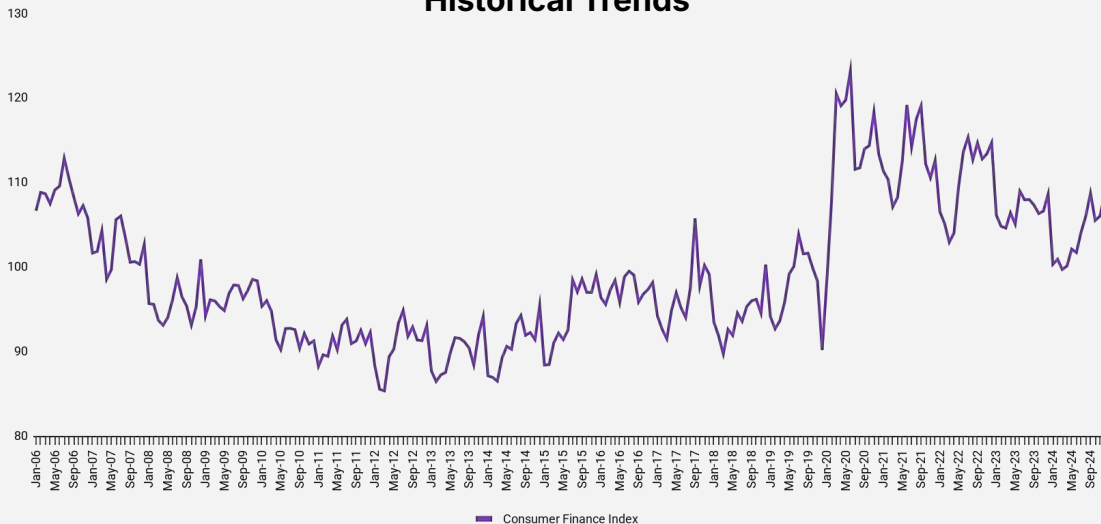
In Q4 2024, the Consumer Finance subindex decreased **0.2** points from Q3 to **108.5**.

Monthly:

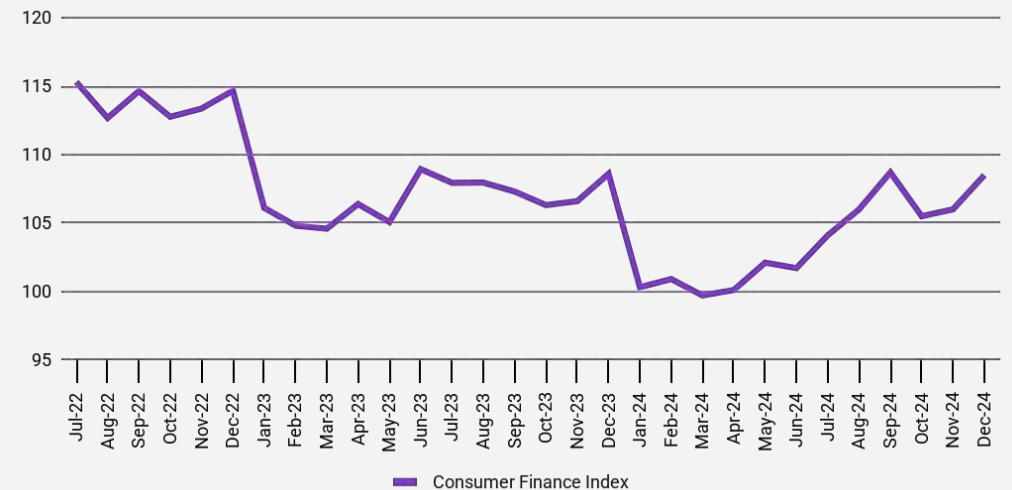
- October: **105.5**
- November: **106.0**
- December: **108.5**

**Outlook:** The Consumer Finance Index has been ticking up since the beginning of Q2 2024. The index climbed following a relatively sharp decline in October in the wake reduced interest rates as set by the Federal Reserve. The index continued to climb through Q4 to remain almost flat year over year. The climb could continue into 2025.

### Historical Trends



### Consumer Finance Index 2-Year View



# Electoral States - Consumer Stress Legal Index

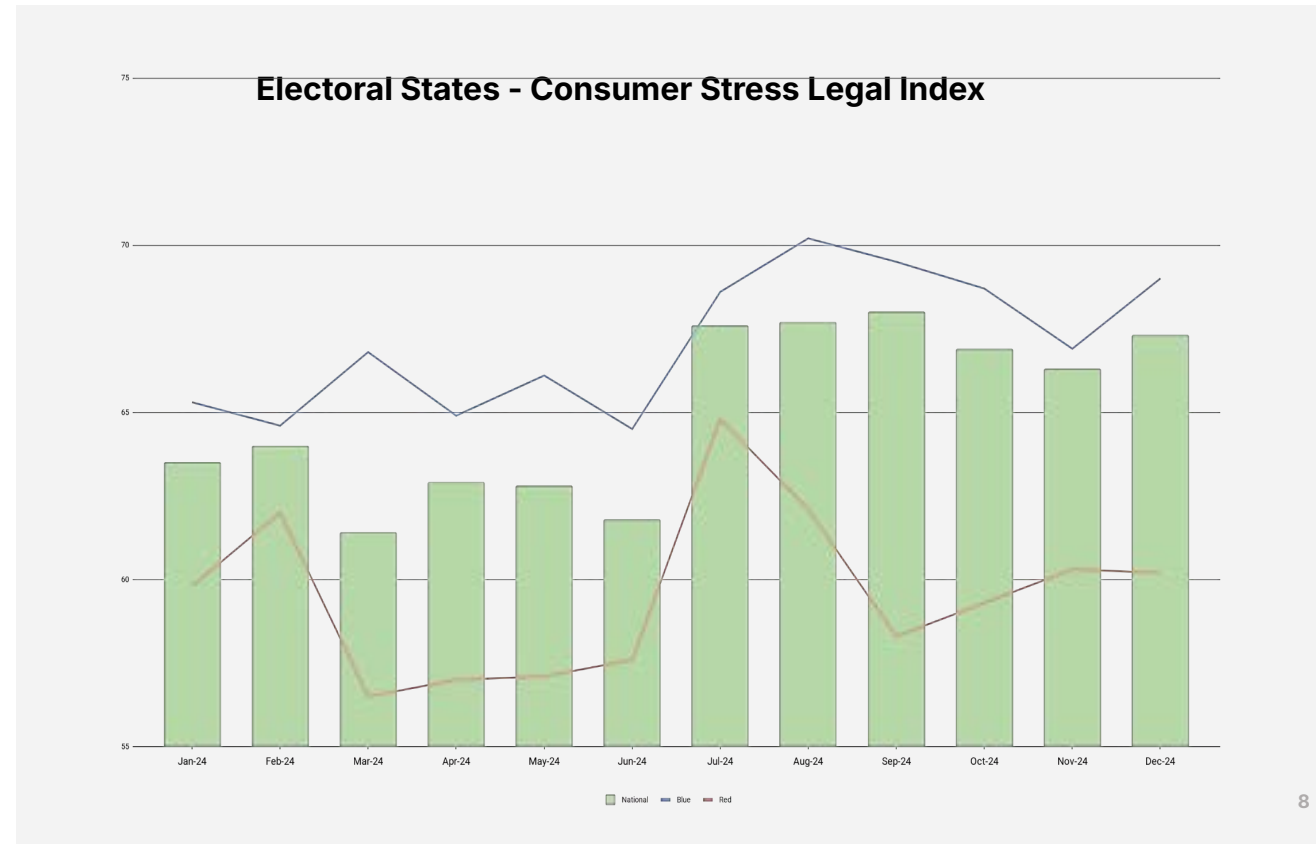
**Summary:** Through the election and the reaction to the new administration, stress levels did not fluctuate greatly across states that voted for either the Republican or Democrat for president.

**Red States:** States that voted Republican in the 2024 presidential election:

- Ended the fourth quarter with a stress level of **61.0**, 6.2 points (9.2%) below the national index.
- Consumer stress was up **2.9** points (5.0%) from the end of the third quarter.
- Stress level never changed more than 1.0 point (1.7%).

**Blue States:** States that voted Democratic in the 2024 presidential election:

- Ended the fourth quarter with a stress level of **69.0**, 1.7 points (2.5%) above the national index.
- Consumer stress was down **0.5** points (0.7%) from the end of the third quarter.
- In the quarter, the stress level never changed more than 2.1 points (3.1%).





# 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

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