

June 24, 2024

Santander US Paths to Prosperity

Financial Prosperity in America:

Middle-Income Americans Continue to Adjust as Inflationary Pressures Flare Up in Q2

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Paths to Financial Prosperity

At Santander, we strive to help consumers achieve prosperity. We commissioned this study to continue our efforts to better understand middle-income Americans' current financial state and future aspirations, so we can best support them on their journey. This research series explores the barriers and challenges facing consumers as they work toward achieving financial prosperity, and the tools and support that middle-income households need to get there.

Building upon five quarters of research, this installment focuses on continuing inflationary pressures on middle-income Americans. It examines how economic conditions—such as high prices, interest rates, and housing costs—are impacting these households and how they are responding. It also explores middle-income Americans' financial relationships with drivers of prosperity, including vehicle access and multifamily housing.

Key Findings

- 1 Americans remain optimistic despite inflationary pressures. Households are adjusting their spending and looking for additional income to manage higher prices.
- 2 Summer spending expected to take a hit as middle-income households offset higher prices.
- 3 As homeownership becomes more unaffordable, middle-income Americans agree that owning a home is not a requirement to be financially prosperous. Many turn to renting for financial flexibility.
- 4 Vehicles are essential on the road toward financial prosperity, as many middle-income Americans require vehicle access to get to / from work.

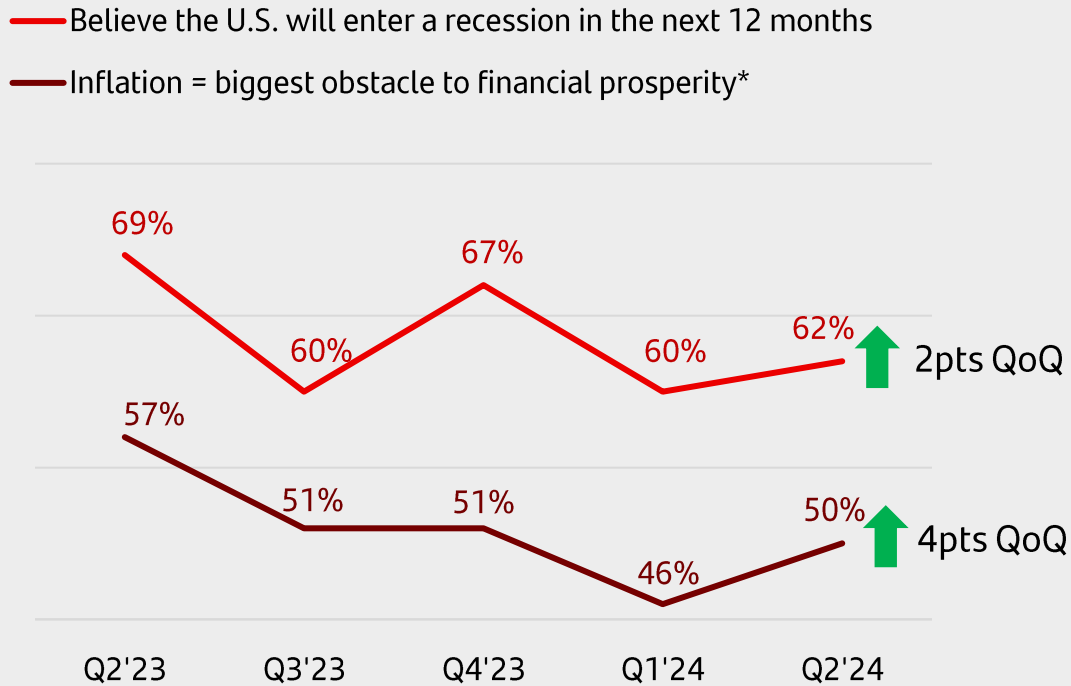
Households face inflationary headwinds
as they pursue financial prosperity



Concerns about inflation ticked back up in Q2

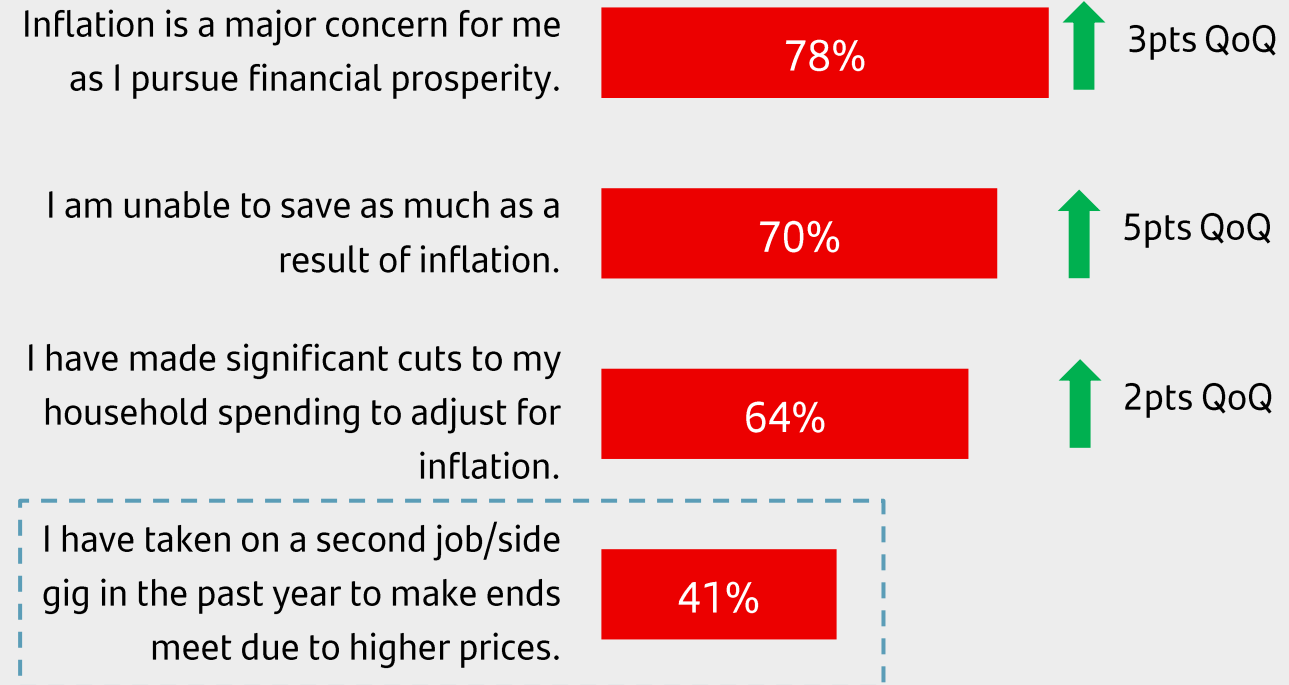
Middle-income households make spending cuts and turn to side jobs to combat inflation and higher prices.

Concerns about inflation, recession increased slightly



*50% indicated inflation is their biggest obstacle to achieving financial prosperity, the highest of eight response options including debt (13%) and slow wage growth (11%).

Inflation concerns and impact of inflation on middle-income households



Americans making tradeoffs to keep up with higher prices in Q2

Grocery and gas prices have seen the most noticeable increases. To keep up, middle-income Americans are making spending cuts in areas such as eating out and entertainment.

Nearly 3 in 4 middle-income Americans say prices have been increasing over the past 3 months



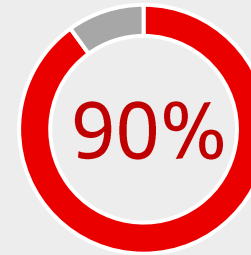
■ Prices have been... increasing ■ ...mostly stable ■ ...decreasing

Most noticeable price increases over the last 3 months**

- 1 Groceries (76%)
- 2 Gasoline (58%)
- 3 Utilities (41%)
- 4 Food outside the home (40%)



of drivers log at least 10,000 miles per year, costing an average of **\$1,577** or more annually in gas*



of middle-income households have reported making spending cuts in some area(s) in Q2.

Spending categories consumers have cut back the most in last 3 months**

- 1 Food outside the home (40%)
- 2 Leisure and entertainment (39%)
- 3 Clothing (36%)
- 4 Vacations (34%)

*Based on [EPA assumption](#) that the average MPG for cars on the road is 22.2 MPG, and the average cost of a gallon of gas is \$3.50, according to [GasBuddy](#) as of 6/4/2024.

**Respondents could select up to five categories.

Summer spending to cool off for many middle-income households

Vacations and leisure/entertainment are areas where Americans plan to save this summer.



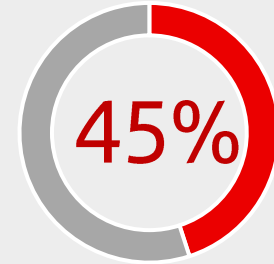
plan to **spend less on leisure and entertainment (e.g., dining out, concerts, movies)***, including 28% who say they will spend much less.

versus 18% who will spend more.



plan to **spend less on vacations this summer***, including 29% who say they will spend much less.

versus 22% who will spend more.



plan to **spend less on summer camps or summer childcare***, including 25% who say they will spend much less.

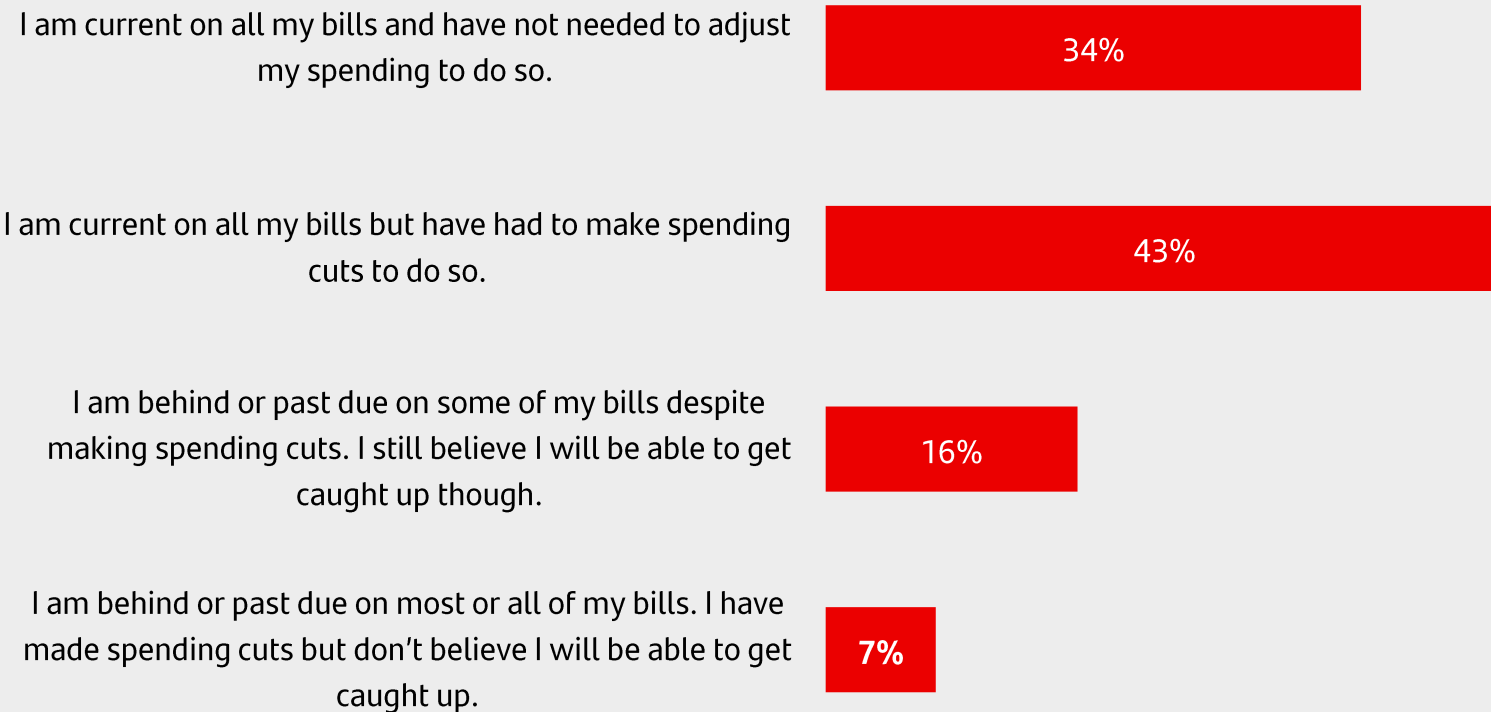
versus 21% who will spend more.

**Among those who spend in this category. Respondents were asked if they would spend more, less or about the same in 2024 compared to 2023.*

With spending cuts, most middle-income Americans are current on their bills

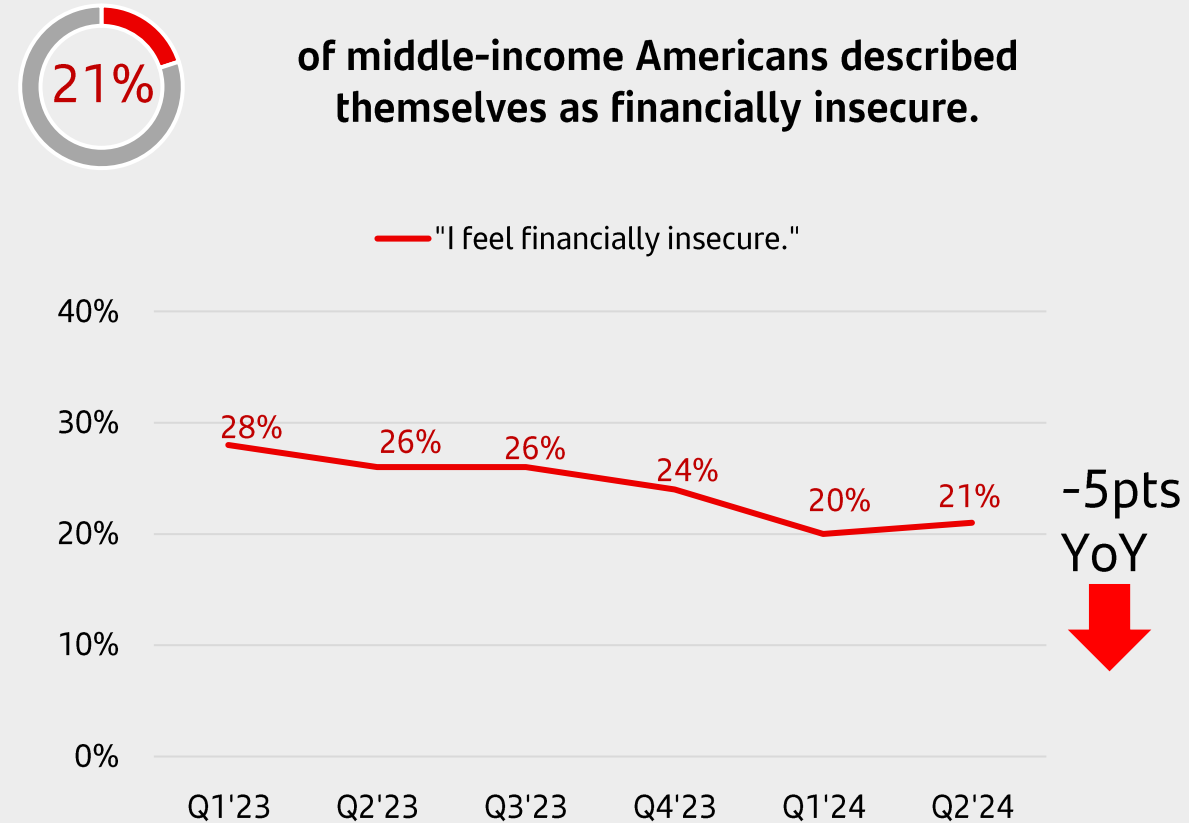
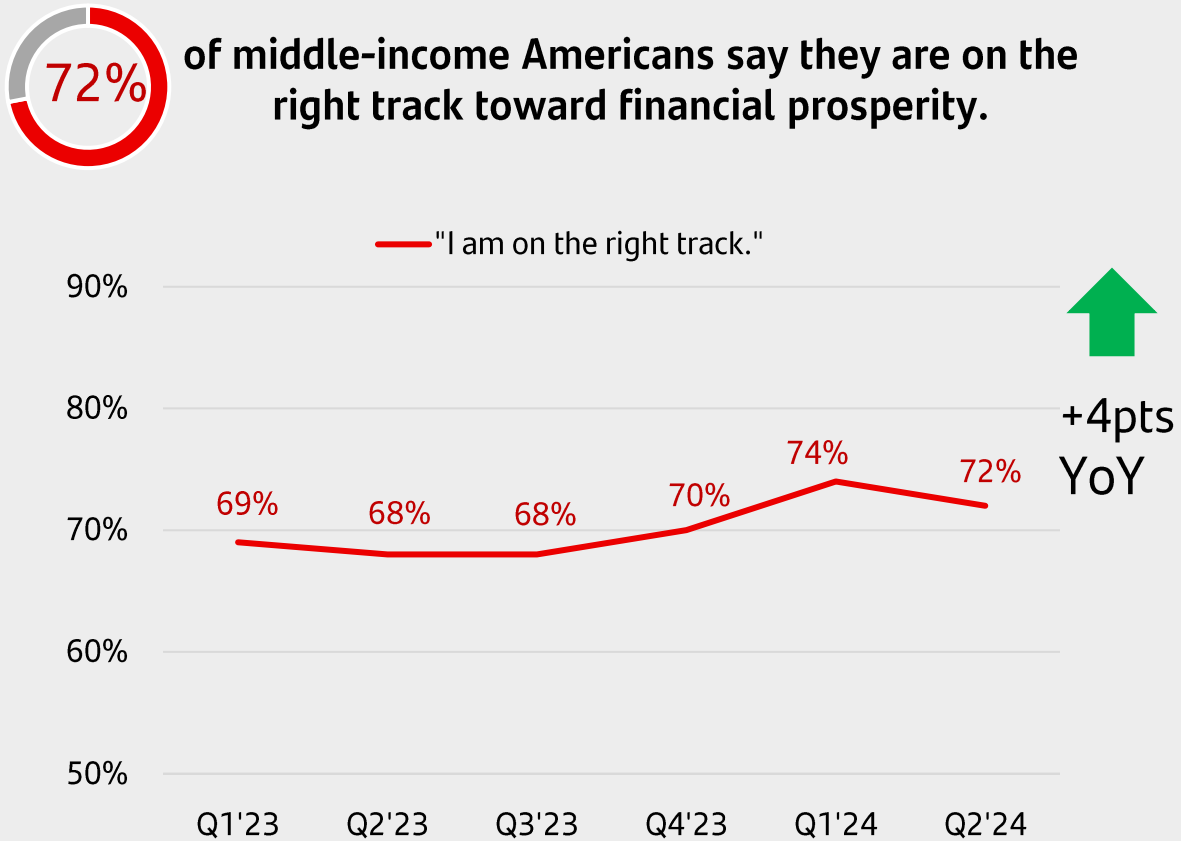
8 in 10 middle-income households are current on their bills, while 7% are behind and do not feel like they can catch up.

Middle-income Americans' bill-paying status:



American households remain optimistic despite pricing pain points

More middle-income households believe they are on the right track toward financial prosperity and fewer describe themselves as financially insecure, compared to this time last year.

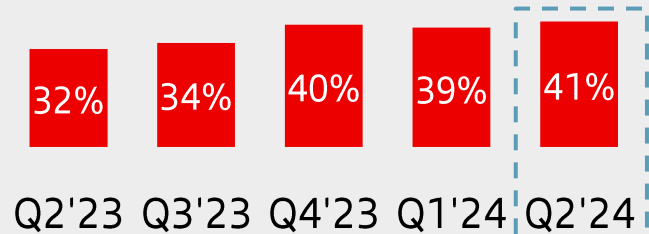


Savings accounts are a source of passive income in a high-rate environment, though many are not taking advantage of this opportunity

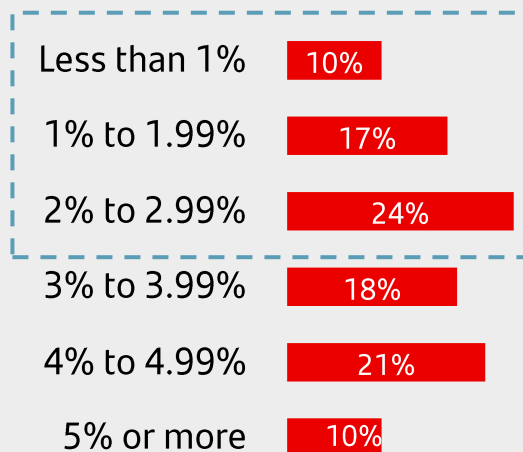
Banks remain a trusted source of information and help in achieving financial prosperity.

6 in 10 households have not yet moved their savings to receive a higher rate of interest.

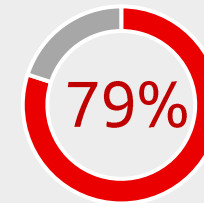
Middle-income Americans who have moved money into a higher-yielding account:



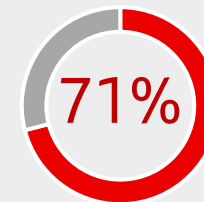
22% of middle-income households are unaware of what they are earning on their savings. Of those who know their rate, the majority (51%) are earning less than 3%.



Americans are looking to banks to help guide them:



of middle-income Americans **trust the financial information and guidance they receive from their bank.**

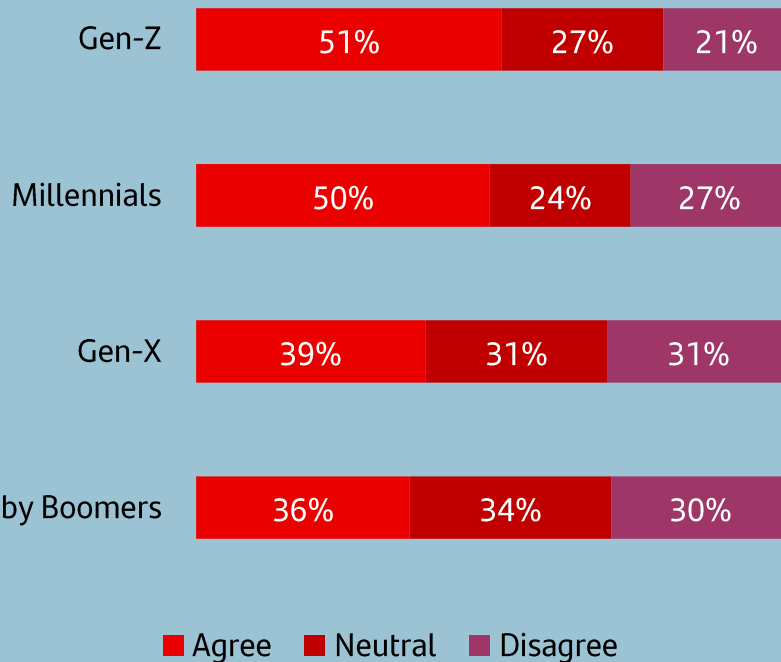


of middle-income Americans **agree that banks are a source of help in achieving financial prosperity.**

Gen-Z's proactivity is paying off

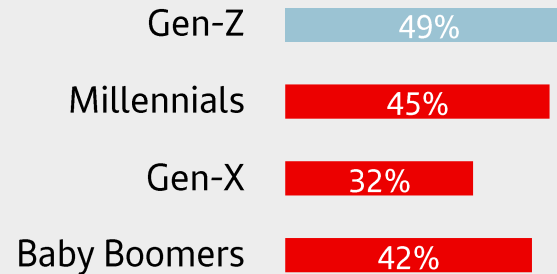
Middle income Gen-Zers are most likely to be managing higher prices better than they were a year ago.

"I am managing higher prices better than I was a year ago."

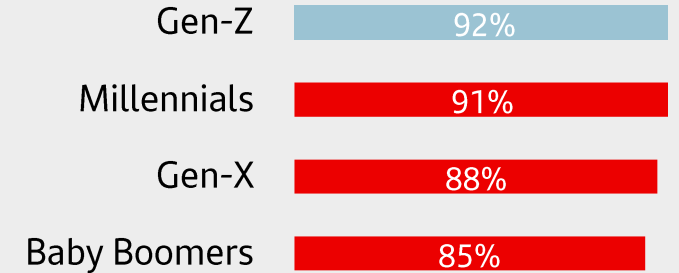


Gen-Z is the most likely generation to have:

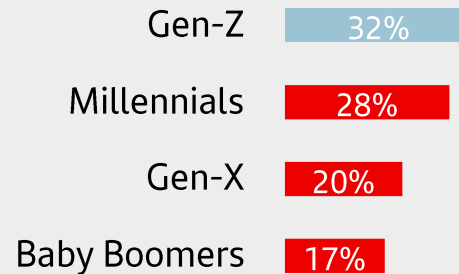
Moved money into a higher-yielding account.



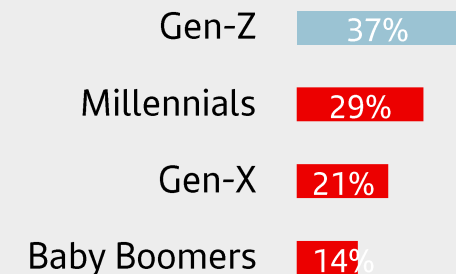
Reduced spending in at least one category over the last 3 months.



Searched for information on finances in books, podcasts, magazines in the past 3 months.



Taken on a gig job/side hustle over the past 3 months to improve their finances.



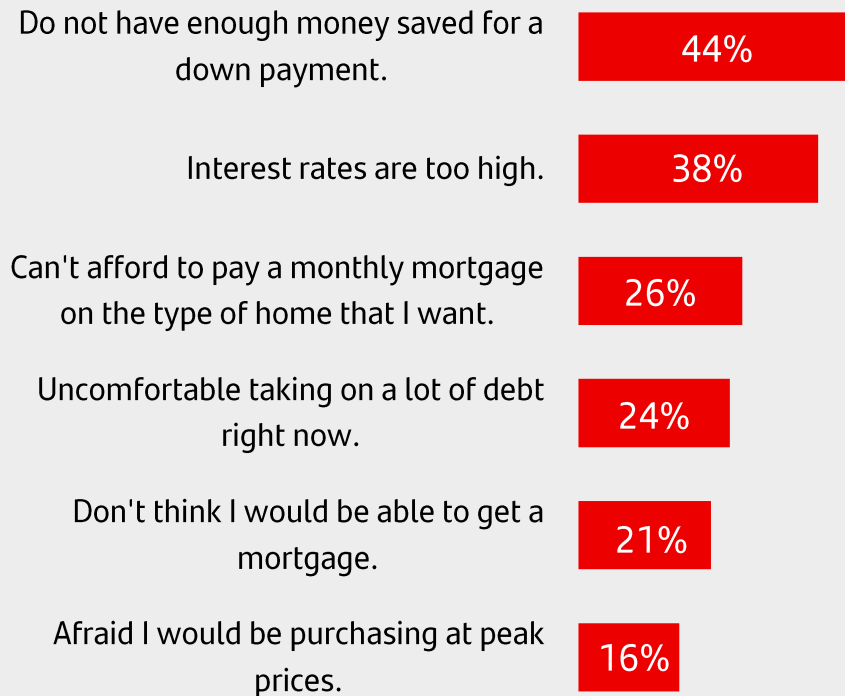
As home prices soar, many do not feel
they need to own a home to be
financially prosperous



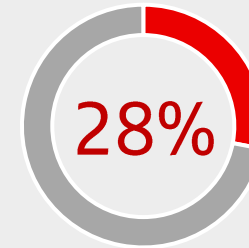
Affordability concerns are the biggest challenge to owning a home

3 in 10 middle-income Americans – and higher among younger generations – considered buying a home in the past year but have not done so.

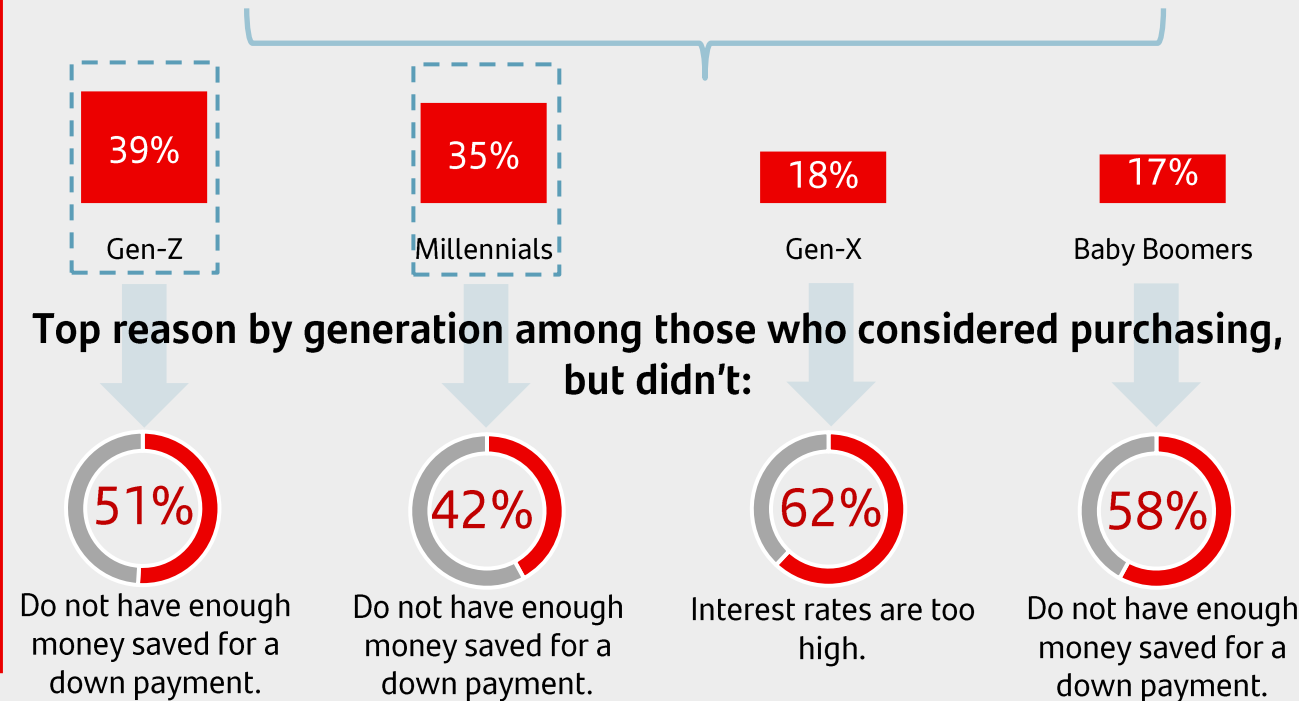
Top reasons for not owning a home*



*Respondents could select up to three reasons.

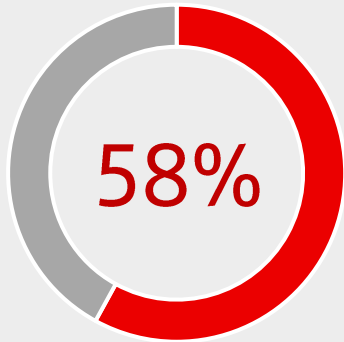


of middle-income Americans have considered buying a home in the last 12 months but have not done so.



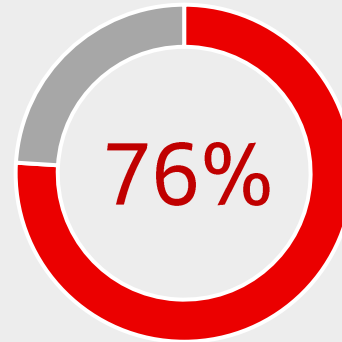
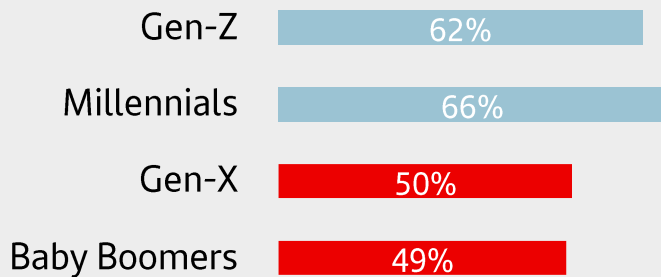
Financial prosperity is impacted by high housing prices, particularly for Gen-Z and Millennials

81% of middle-income Americans say the high cost of housing is a major financial issue in the U.S.



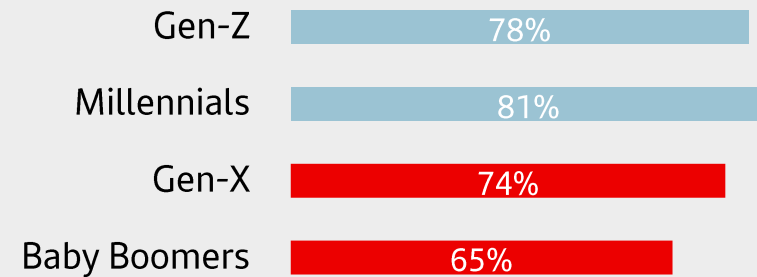
58% of middle-income Americans agree that financial obligations associated with owning a home are an obstacle to achieving financial prosperity.

Highest among Gen-Z and Millennials



76% say that housing costs (including rent or mortgage payments) impact their ability to save or invest for their financial prosperity.

Highest among Gen-Z and Millennials



Renting is an important alternative that provides a pathway to financial prosperity, as the majority no longer believe they need to own a home

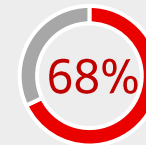
6 in 10 who rent believe having an affordable home, even if renting, is more important to achieving financial prosperity than having equity in a home.

Middle-income Americans are nearly twice as likely to believe that homeownership is not necessarily a requirement to be financially prosperous.

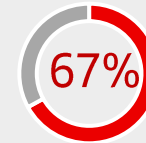


- Homeownership is not a requirement
- Neither agree nor disagree
- Homeownership is a requirement

Among middle-income renters:



say renting is important because it provides housing for individuals with no other options.



agree that renting feels less permanent and provides them with a sense of flexibility to move around if they choose.

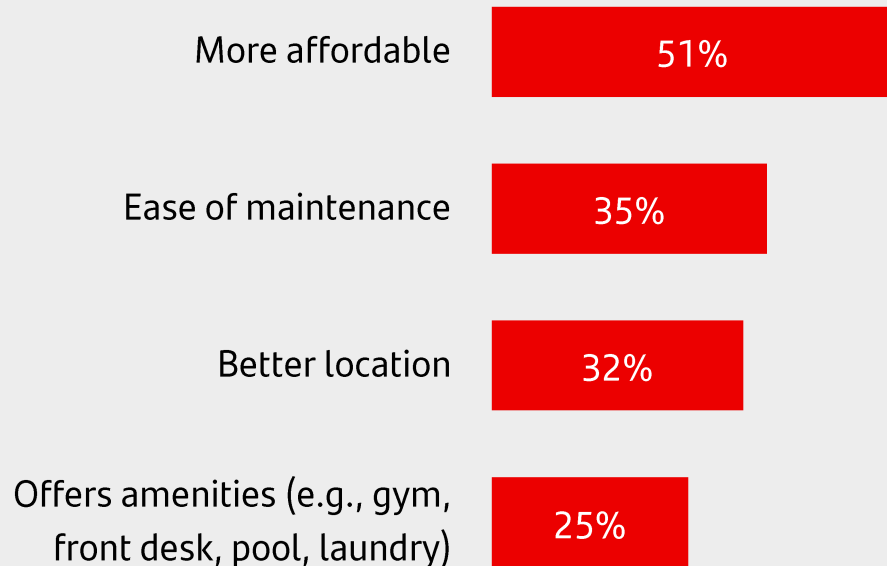


say renting provides more financial flexibility than owning a house.

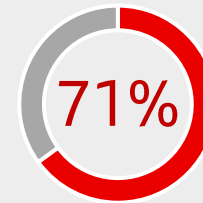
Multifamily housing is a route to achieving financial prosperity for many, offering an affordable option

7 in 10 middle-income Americans living in multifamily* households are renters.

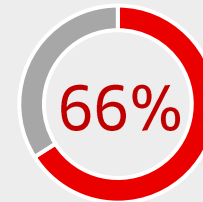
The top reasons for living in multifamily homes**:



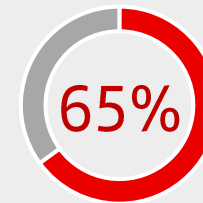
Of those living in multifamily homes:



agree that **multifamily homes are a good solution to produce more affordable housing options.**



agree that **multifamily homes are a good solution to increase the housing supply.**



agree that **multifamily housing allows more financial flexibility for its residents.**

*Multifamily homes are generally housing properties with five or more residential units, such as an apartment building.

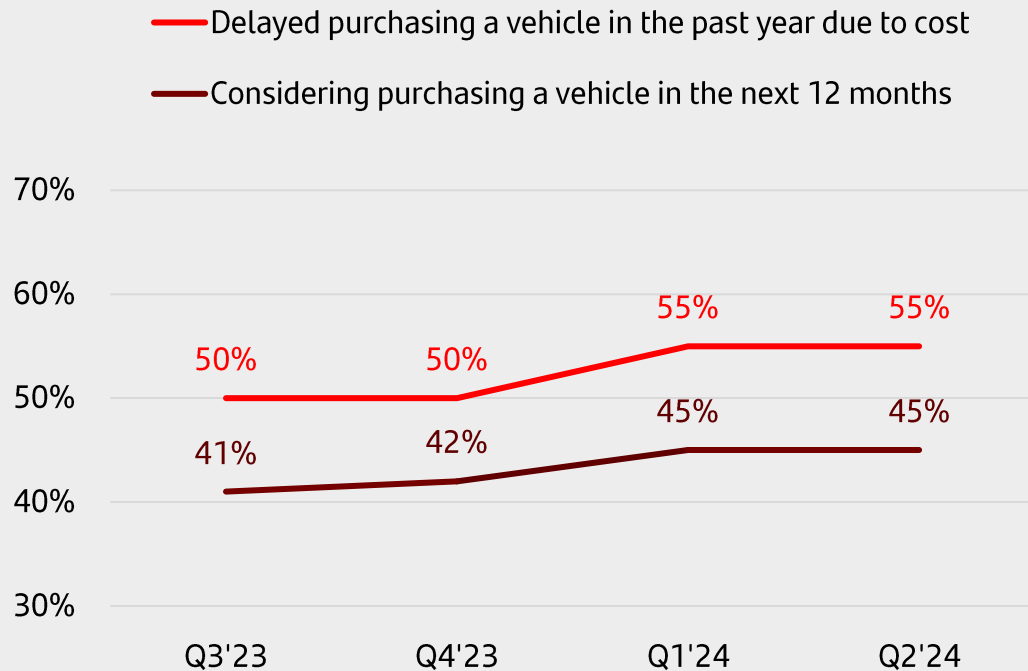
**Respondents could select all that apply.

Vehicles are vital for access to employment opportunities and side income

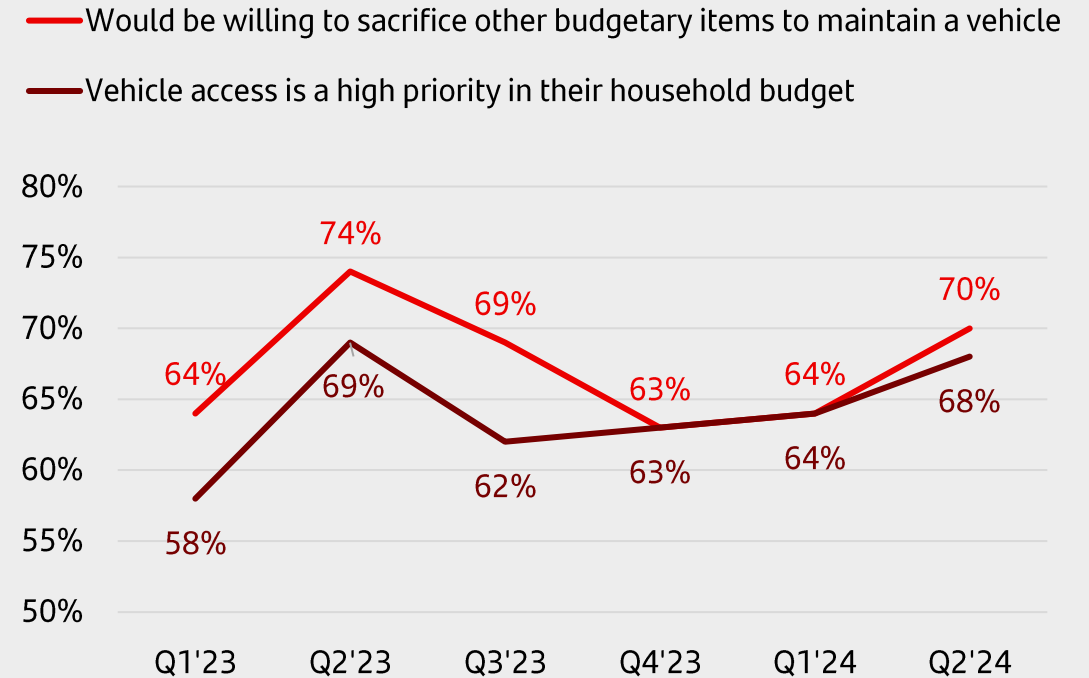


Pent-up demand for vehicles continues as vehicle access remains a priority

High demand for vehicles persists:



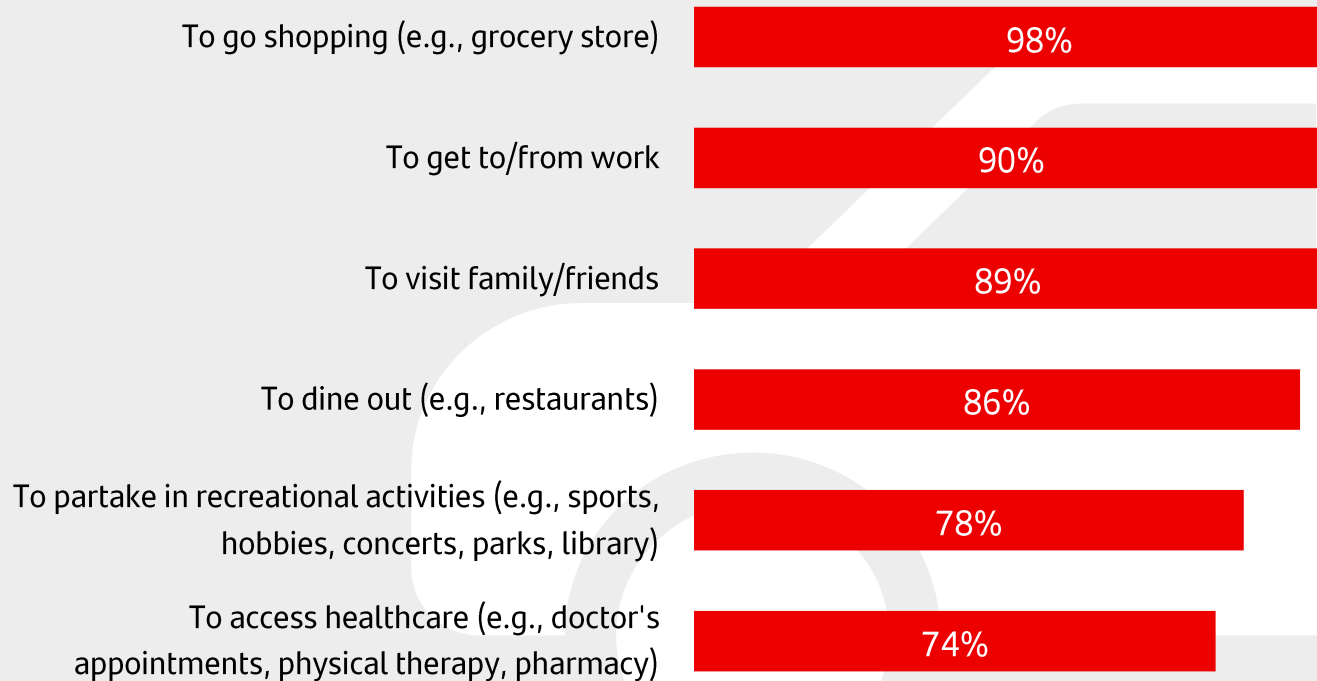
Vehicles remain a budgetary priority:



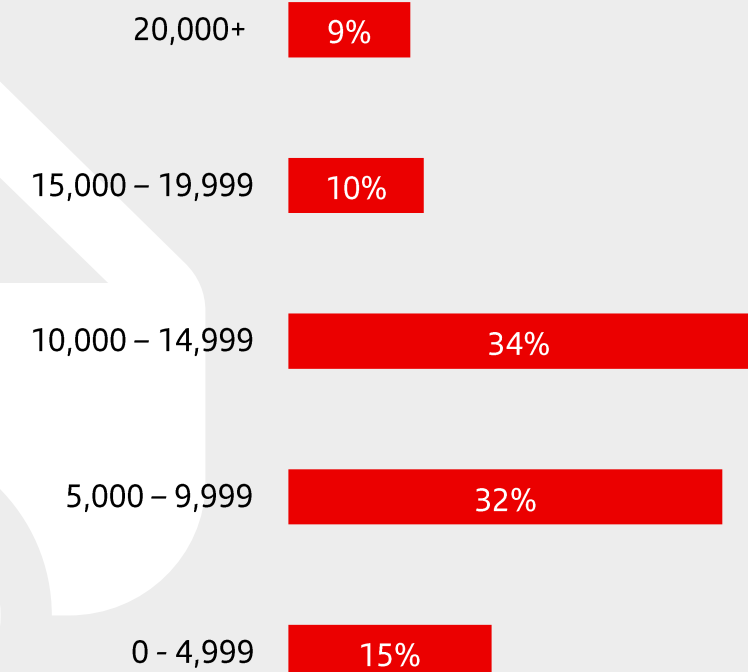
Middle-income drivers are highly reliant upon vehicles for critical tasks

Nearly all middle-income Americans (93%) own or lease a vehicle, and the majority (53%) drives 10,000+ miles each year.

Vehicle usage at least once a week*:



Miles driven per year:

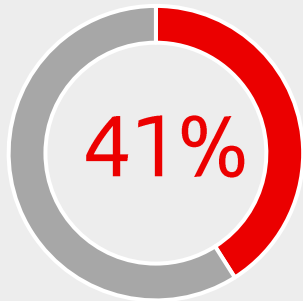


*Among those with regular access to a vehicle; top response options shown. Respondents asked about destinations and frequency.

Vehicles drive the gig economy

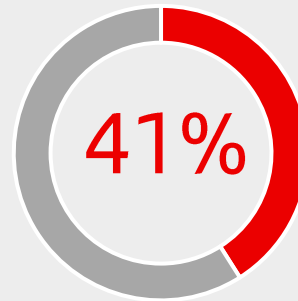
4 in 10 middle-income Americans have relied on a vehicle to perform gig work at some point, while many have taken on a second job in the past 12 months due to higher prices.

Higher prices are pushing middle-income Americans to work on the side



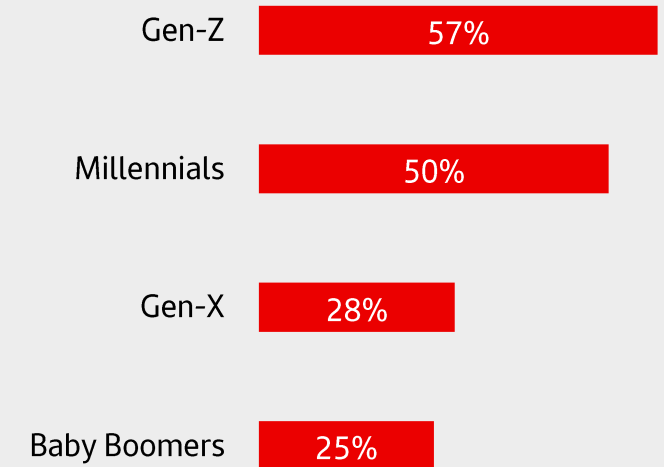
of middle-income Americans have taken on a second job or side gig in the past 12 months to make ends meet due to higher prices.

Middle-income Americans rely on vehicles to earn extra money

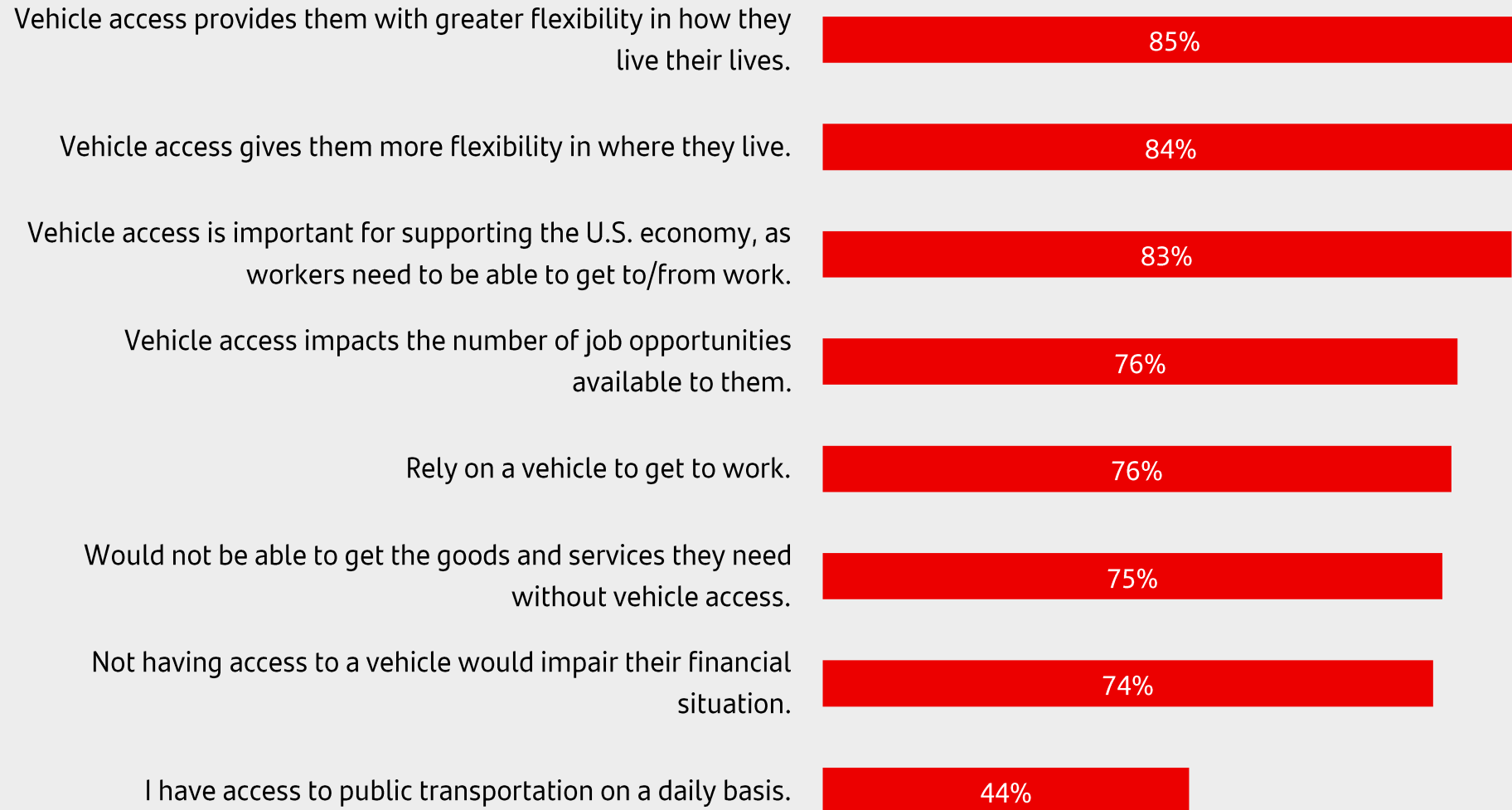


of middle-income Americans have relied on a vehicle at some point to earn extra income through gig work.

Younger generations are most likely to have used a vehicle to earn extra money through gig work



Vehicle access is vital to middle-income Americans' wellbeing and prosperity



Methodology



Methodology

This research on financial prosperity, conducted by Morning Consult on behalf of Santander US, surveyed 2,202 Americans who are bank and/or financial services customers, ages 18-76.

Survey participants are employed or looking for work, own/use at least one financial product and are the primary or shared decision-maker on household finances with household income in the “middle-income” range of ~\$50,000 to \$148,000¹.

¹ Range based on median household income of ~\$74,000 (U.S. Census Bureau) and Pew Research Center definition of middle-income being two-thirds to double median household income.

This Q2 study was conducted in May 2024. The interviews were conducted online, and the margin of error is +/- 2 percentage points for the total audience at a 95% confidence level. Percentages may not total 100 due to rounding.

The data was weighted to target population proportions for a representative sample based on age, gender, ethnicity, region, and education.

The previous Q1 study was conducted in February 2024, the Q4 study was conducted in December 2023, the Q3 study was conducted in September 2023, the Q2 study was conducted in May 2023, and the inaugural Q1 study was conducted in January 2023.

Financial prosperity is defined as thriving financially. Achieving financial prosperity includes being able to cover living expenses, handle emergencies and pursue life goals without significant tradeoffs.

Multifamily homes are generally housing properties with five or more residential units, such as an apartment building.

About Santander US

Santander Holdings USA, Inc. (SHUSA) is a wholly-owned subsidiary of Madrid-based Banco Santander, S.A. (NYSE: SAN) (Santander), recognized as one of the world's most admired companies by *Fortune Magazine* in 2024, with approximately 166 million customers in the U.S., Europe and Latin America. As the intermediate holding company for Santander's U.S. businesses, SHUSA is the parent company of financial companies with more than 11,800 employees, 4.5 million customers, and assets of over \$165 billion in the fiscal year ended 2023. These include Santander Bank, N.A., Santander Consumer USA Holdings Inc., Banco Santander International, Santander Securities LLC, Santander US Capital Markets LLC and several other subsidiaries. Santander US is recognized as a top 10 auto lender and a top 10 multifamily bank lender, and has a growing wealth management business. For more information about Santander US, please visit www.santanderus.com.

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