

October 8, 2024

# Santander US Paths to Prosperity

## Financial Prosperity in America:

Amidst Mixed Signals, Middle-Income Americans Searching for Financial Flexibility as Higher Prices Cause Constraints

---

For media use only.



# 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 six 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, multifamily housing and banking services.

# Key Findings

- 1 Mixed signals. Despite price pressures and persistent inflationary concerns, middle-income Americans remain optimistic.
- 2 Rental housing and auto access provide middle-income Americans with financial flexibility and more options for where they live and work.
- 3 Younger generations shift away from homeownership toward more flexible and affordable alternatives for achieving financial prosperity.
- 4 Pent-up demand for vehicles remains, and lower prices and interest rates could incentivize purchasing.

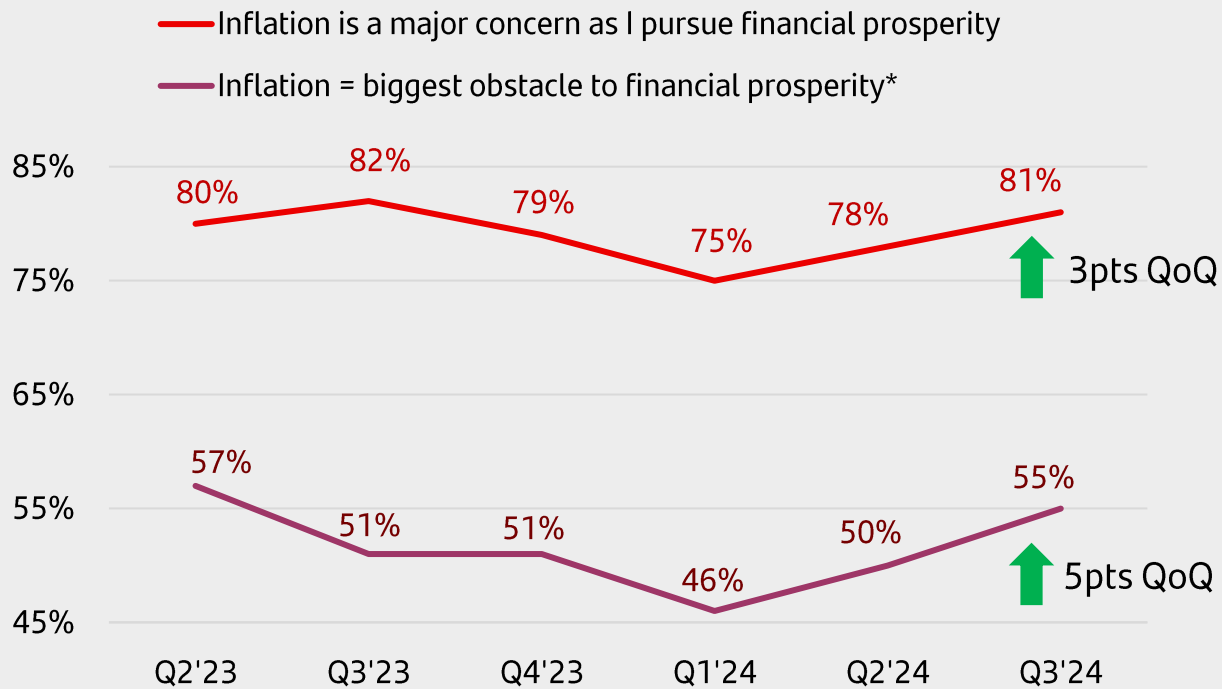
Middle-income Americans feel stress of  
inflation, yet remain resilient



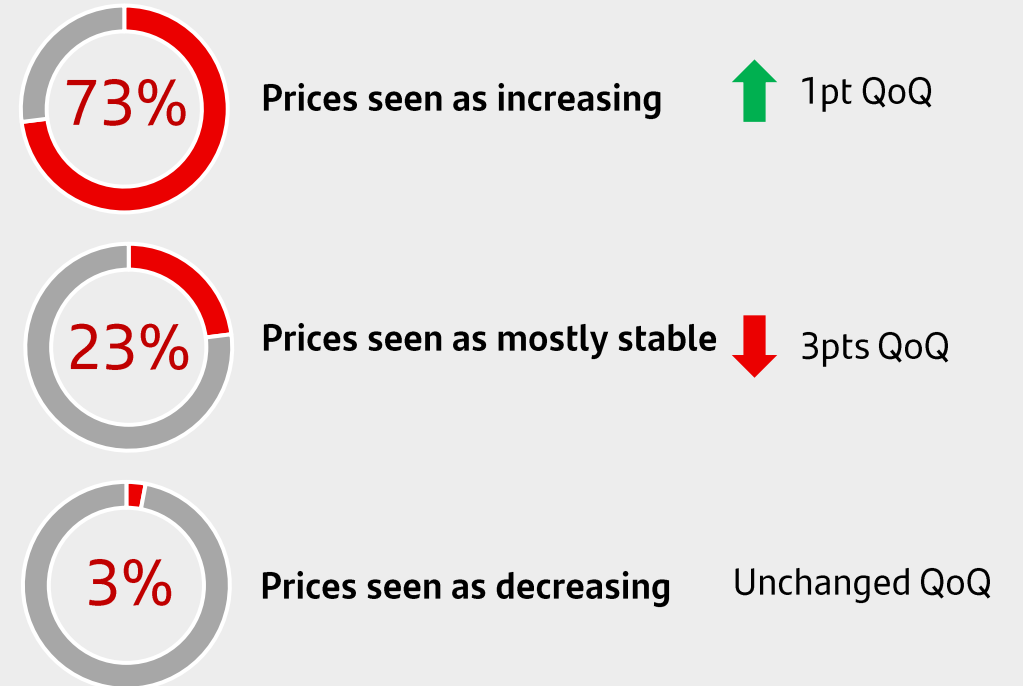
# Inflation continues to be middle-income Americans' biggest financial obstacle

3 in 4 note prices have been mostly increasing over the past three months.

## Concerns about inflation have returned to mid-2023 levels.



## How middle-income consumers view prices over past quarter:



\*55% indicated inflation is their biggest obstacle to achieving financial prosperity, the highest of seven response options including debt (12%) and slow wage growth (10%).

# Inflation is having a daily impact on American consumers

More than 8 in 10 say inflation has affected their daily lives, and 9 in 10 have taken action as a result of prolonged price pressures.

**86%** say inflation has impacted their daily lives.

*Top impacts of inflation:*

- #1** More stressed about money 
- #2** Difficulty affording everyday necessities 
- #3** Cutting back on recreational activities or hobbies 

**89%** have taken action due to inflation.

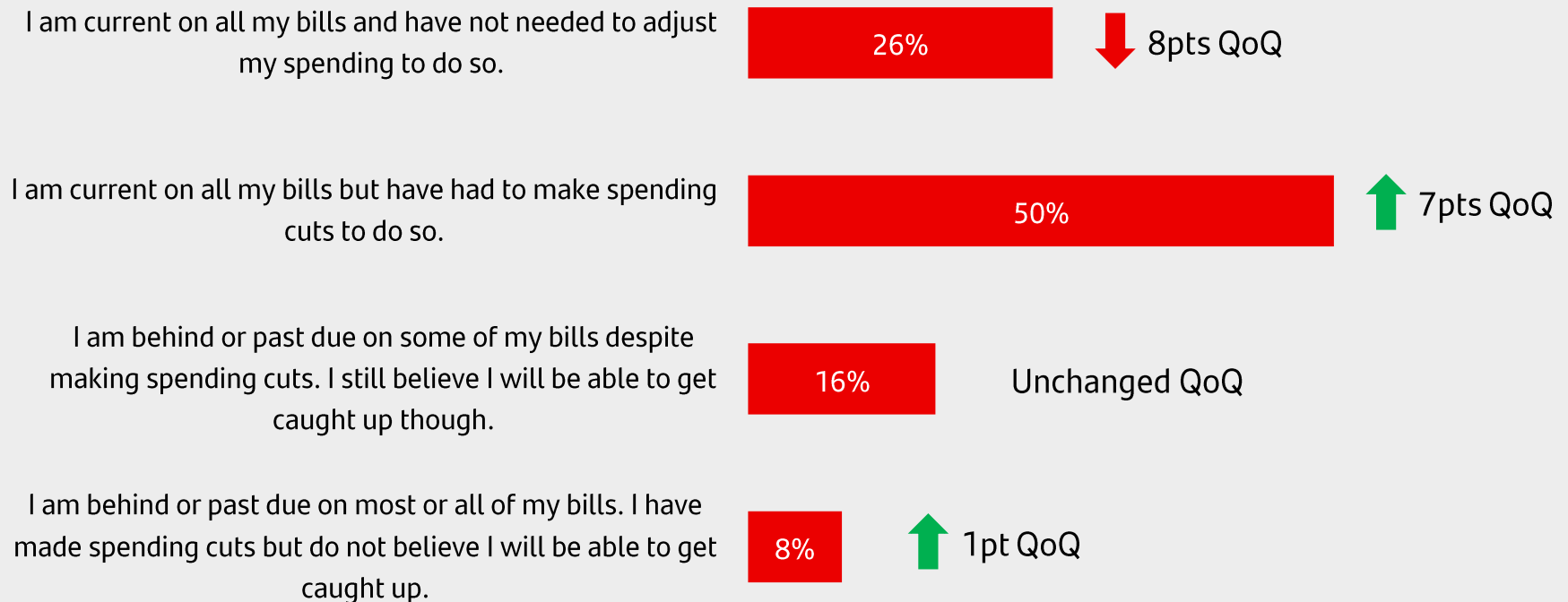
*Top actions taken:*

- #1** Cutting back on retail spending 
- #2** Dipping into savings 
- #3** Taking on new debt 

# More households are making spending cuts to stay current on their bills

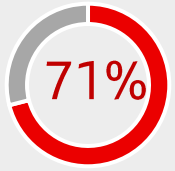
Most remain up-to-date on paying their bills, with little change quarter-over-quarter.

## Middle-income Americans' bill-paying status:

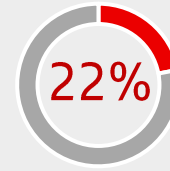
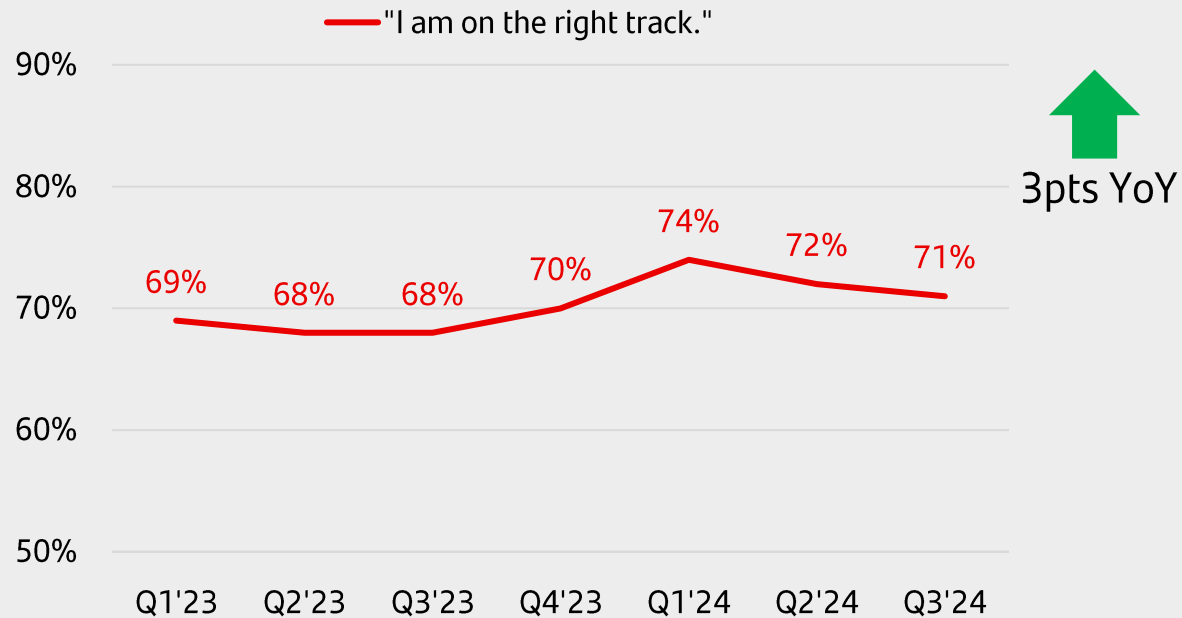


# Despite price pressures, Americans remain optimistic

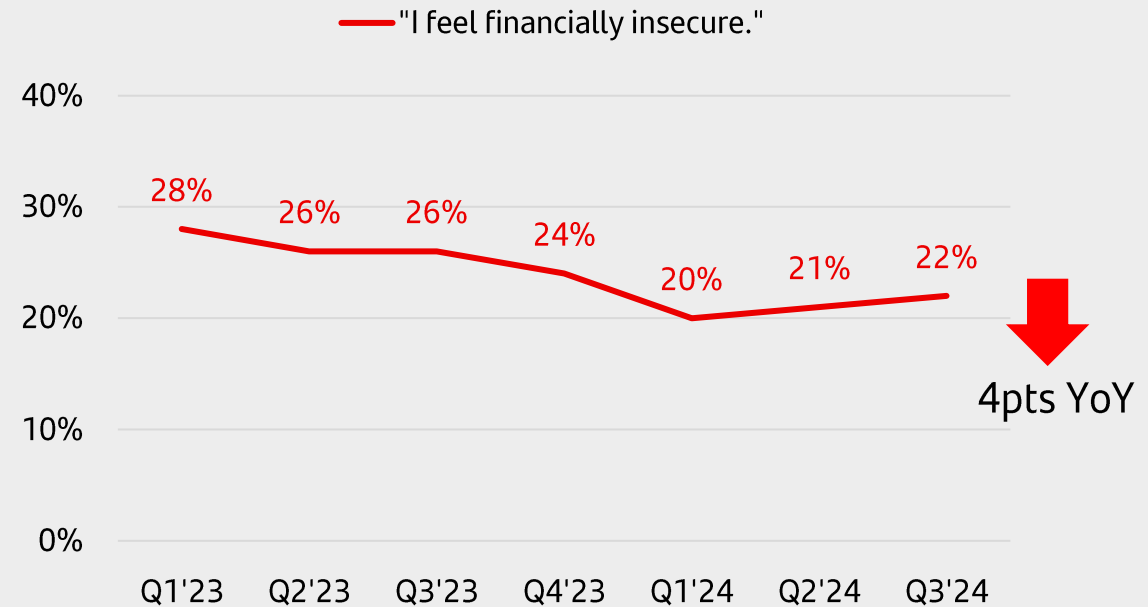
More believe they are on the right track toward financial prosperity than a year ago.



of middle-income Americans say they are on the right track toward financial prosperity.



of middle-income Americans describe themselves as financially insecure.



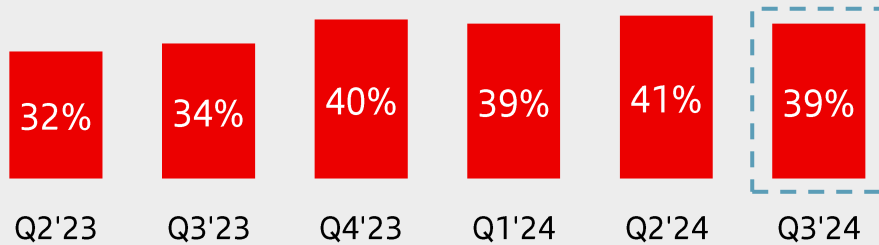


# Many miss out on opportunity to offset inflation by earning more on savings

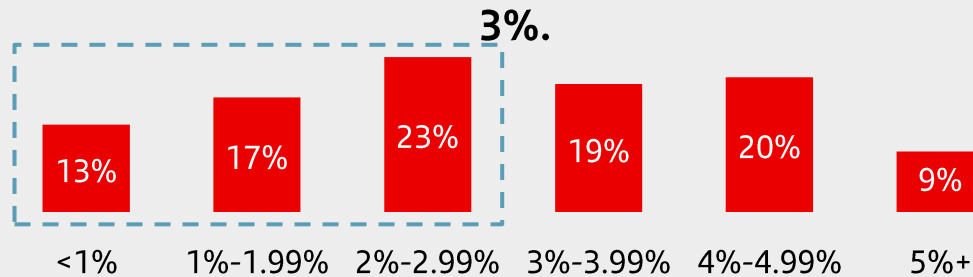
Some savers may look to certificates of deposit to lock in higher yields as interest rates come down.

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

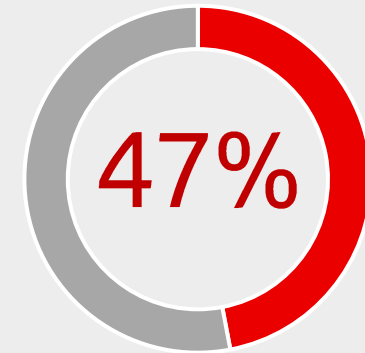
Middle-income Americans who have moved money into a higher-yielding account:



24% of middle-income savers are unaware of their interest rate. Of those who know their rate, the majority (53%) are earning less than 3%.



Fed rate cuts may bring down interest rates. Will this lead consumers to act now?



of middle-income Americans are likely to open a certificate of deposit to lock in a higher interest rate as rates decline.

# Mixed economic signals, though the majority does not believe a recession is imminent

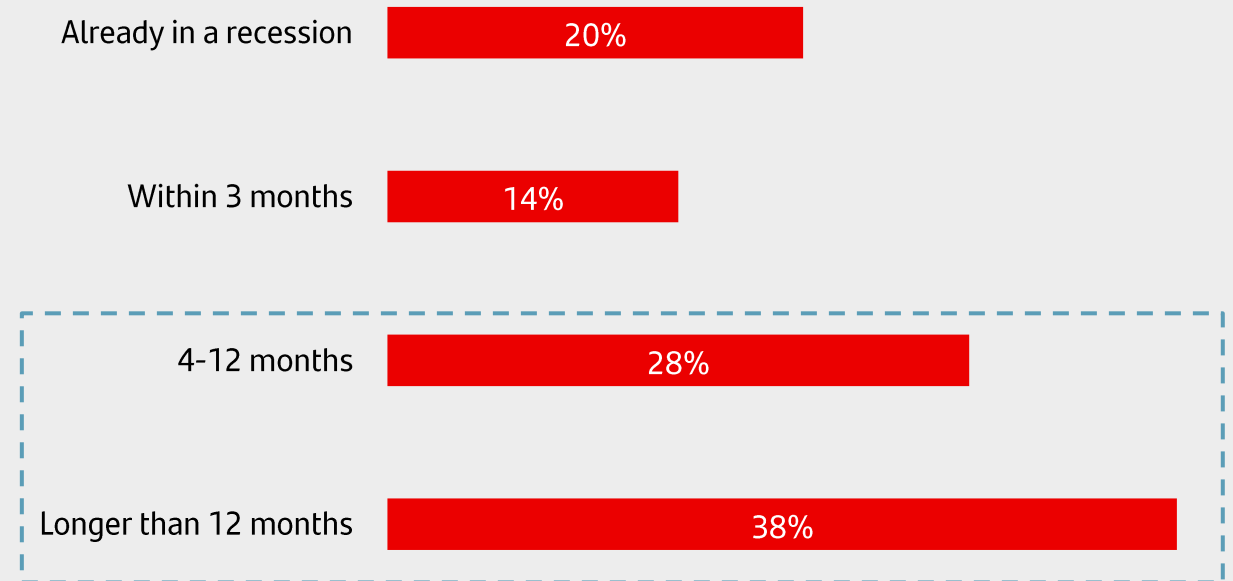
Potential for “soft landing” seen as those believing the U.S. will enter a recession drops from 2023 highs.

## Anticipation of an economic recession is down from year-end 2023.



## Timeframe in which Americans believe the U.S. will enter a recession:

*Two-thirds do not see a recession in the next three months.*



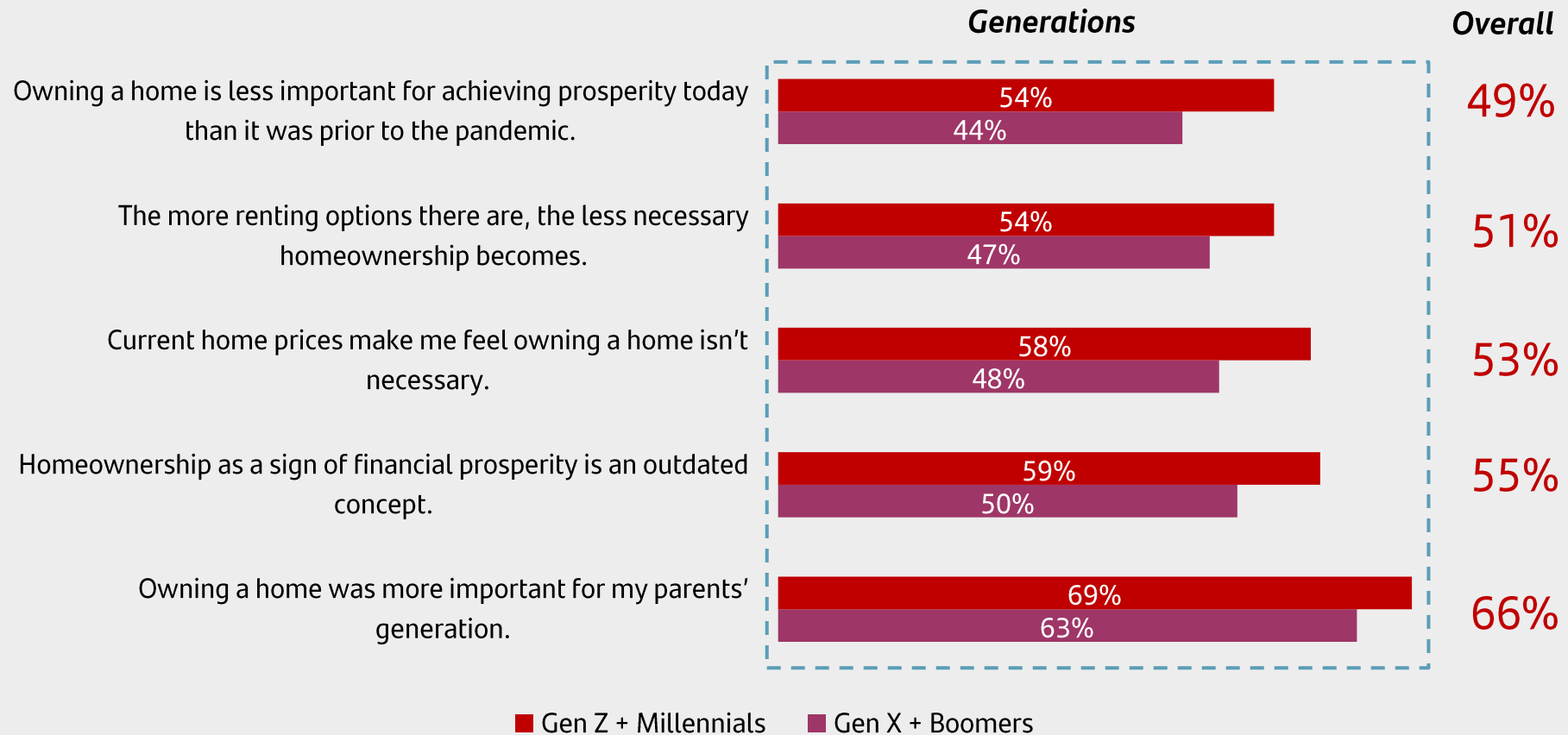
Younger generations shift away from homeownership toward more flexible and affordable options



# Younger generations highlight a shifting mindset around homeownership

Homeownership is diminishing in importance for achieving financial prosperity.

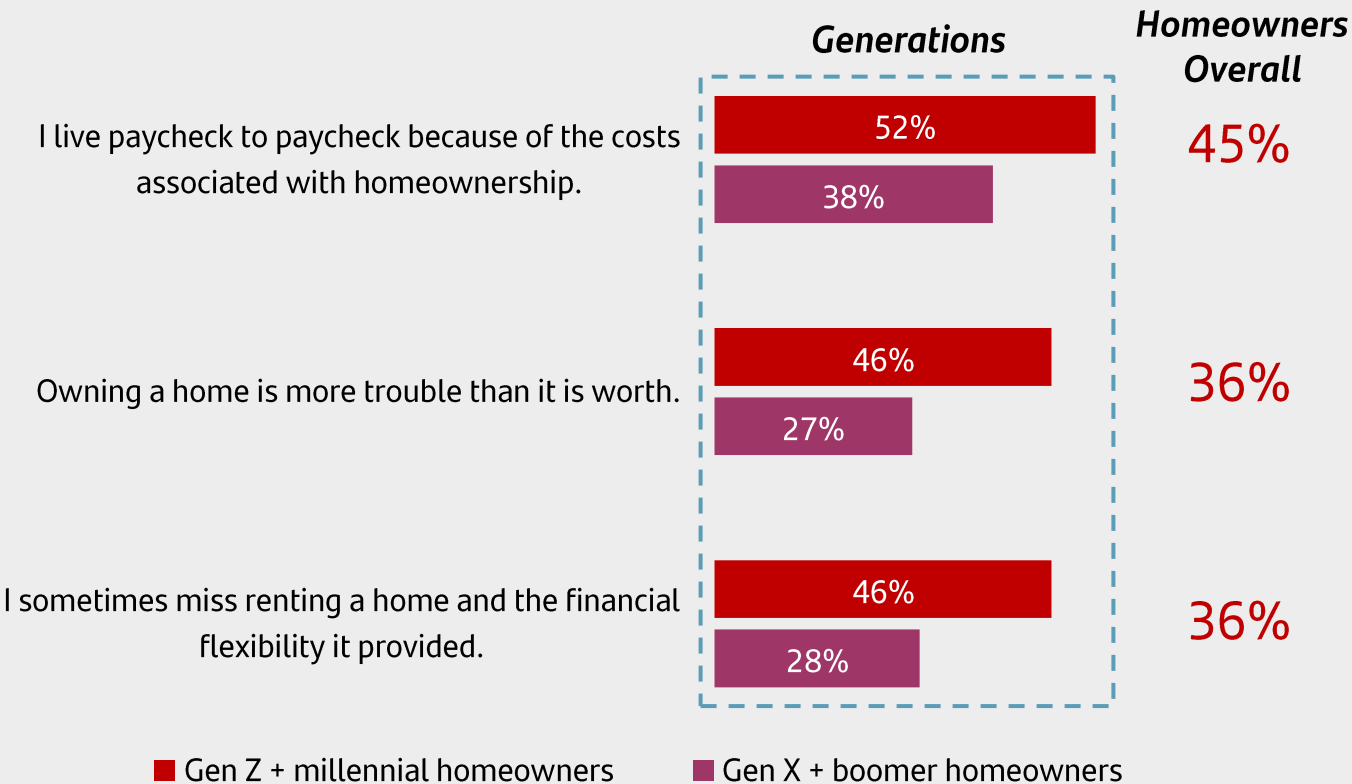
Younger generations are more likely to agree with the following statements:



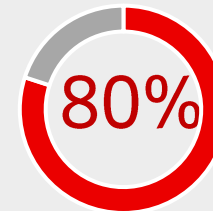
# Financial pressures of homeownership make many younger homeowners miss the flexibility of renting

Even older homeowners do not see homeownership as being realistic today.

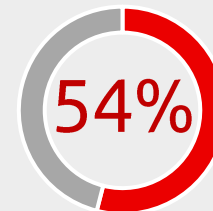
Younger homeowners are more likely to be burdened by the cost of homeownership.



Across generations, homeownership today is seen as a challenge.



80% of older homeowners\* say they would not be able to afford a home if they were just starting out today.



54% of younger homeowners\*\* would not have been able to own a home without financial assistance from family/friends.

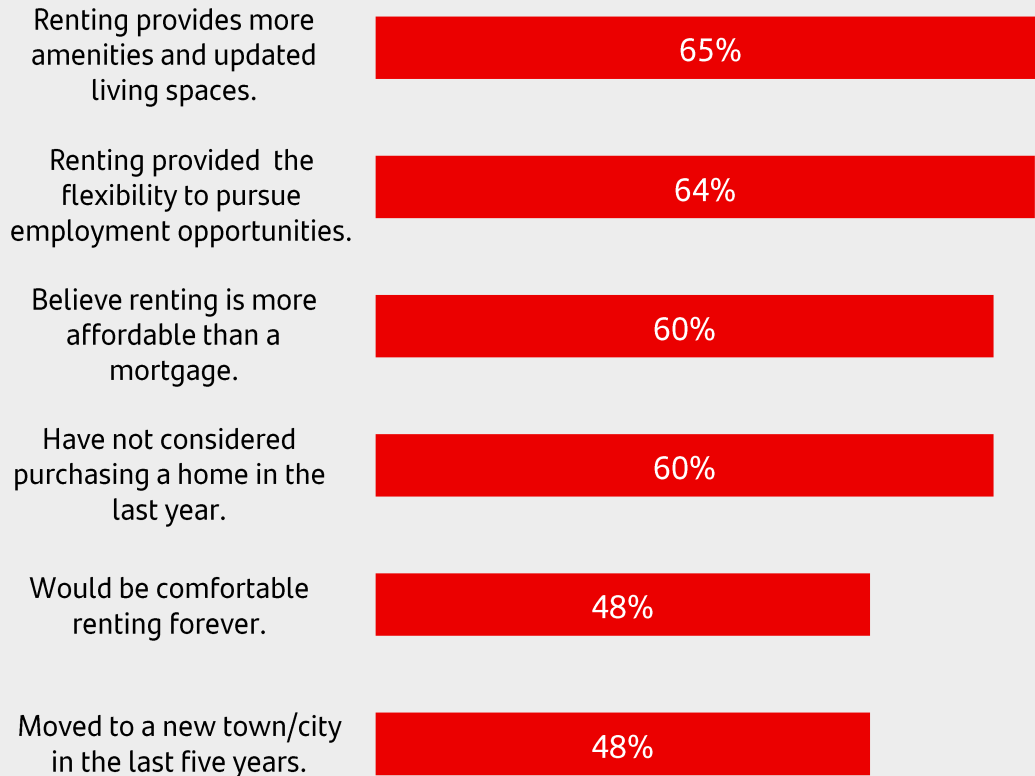
\*Older homeowners are Gen X and boomers.

\*\*Younger homeowners are Gen Z and millennials.

# Renting provides an affordable, flexible option

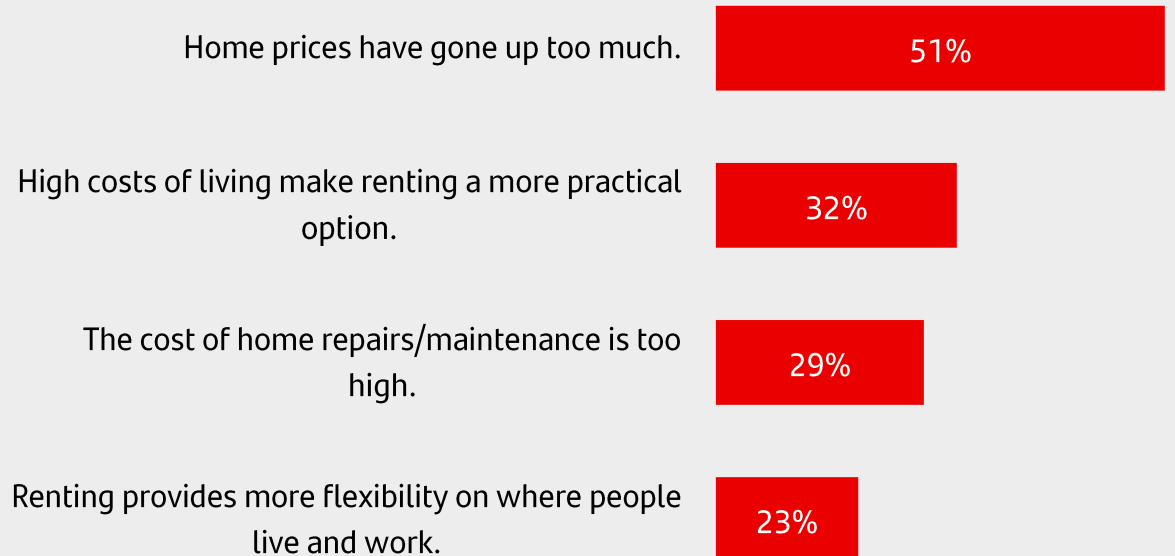
Nearly 4 in 10 middle-income Americans rent their primary residence, and two-thirds of renters believe owning a home is less important for achieving financial prosperity than it was 20 years ago.

## Renting provides residents with flexibility and other benefits\*.



\*Among renters

## Top reasons why renters believe owning a home is less important than it was 20 years ago\*\*:

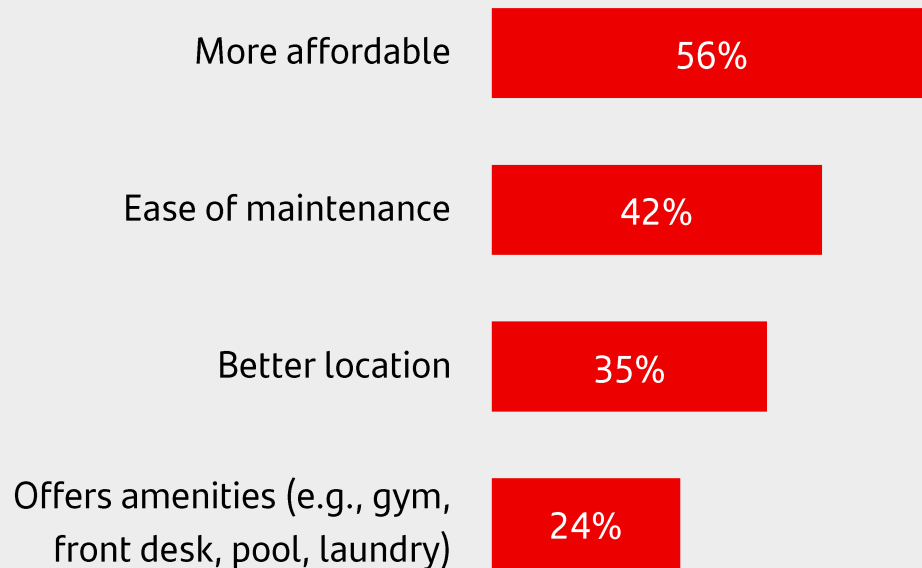


\*\*Among renters who agree that homeownership is less important today. Respondents could select up to three choices. Only top options shown.

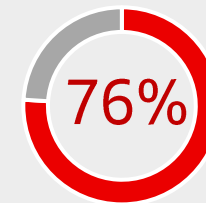
# Multifamily housing seen as more affordable and provides other benefits

Multifamily<sup>1</sup> renters agree that multifamily homes give them higher-quality, flexible and affordable rental options.

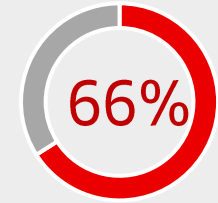
## The top reasons for living in multifamily homes, among residents\*:



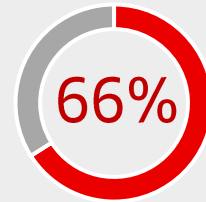
## Of those living in multifamily homes:



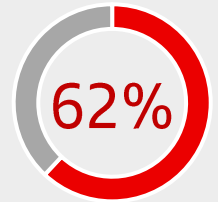
agree that multifamily homes are a good option for renters.



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.

\*Respondents could select all that apply.

Pent-up vehicle demand remains, and lower prices and interest rates could fuel purchases

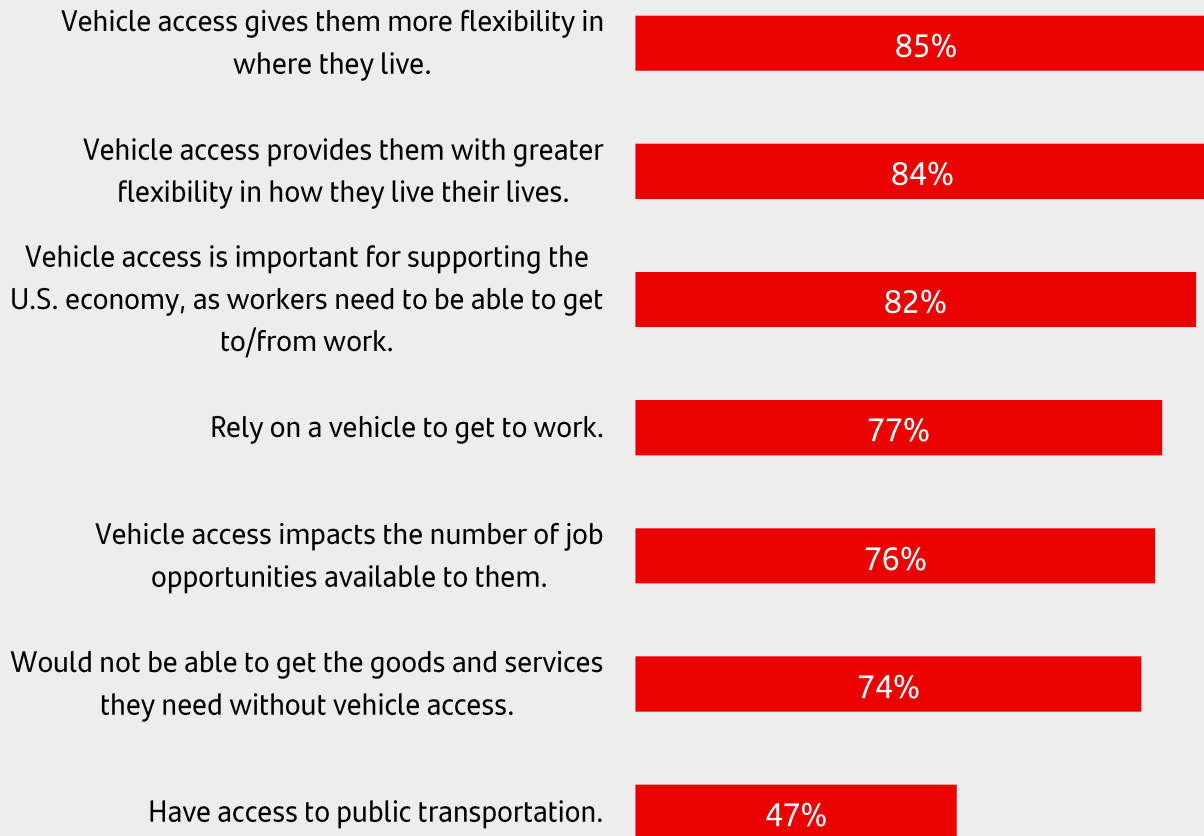




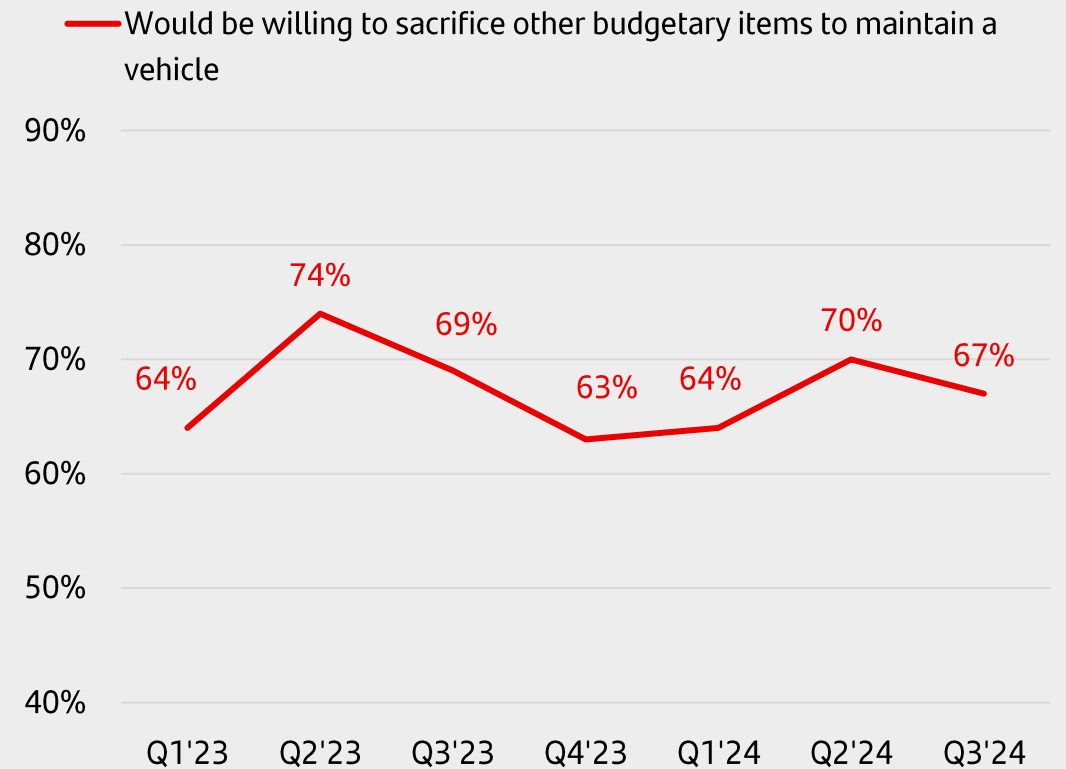
# Vehicle access provides flexibility in where Americans live and work

Less than half of middle-income Americans have access to public transportation, emphasizing the importance of vehicle ownership.

## Vehicles are vital for middle-income Americans' financial prosperity.



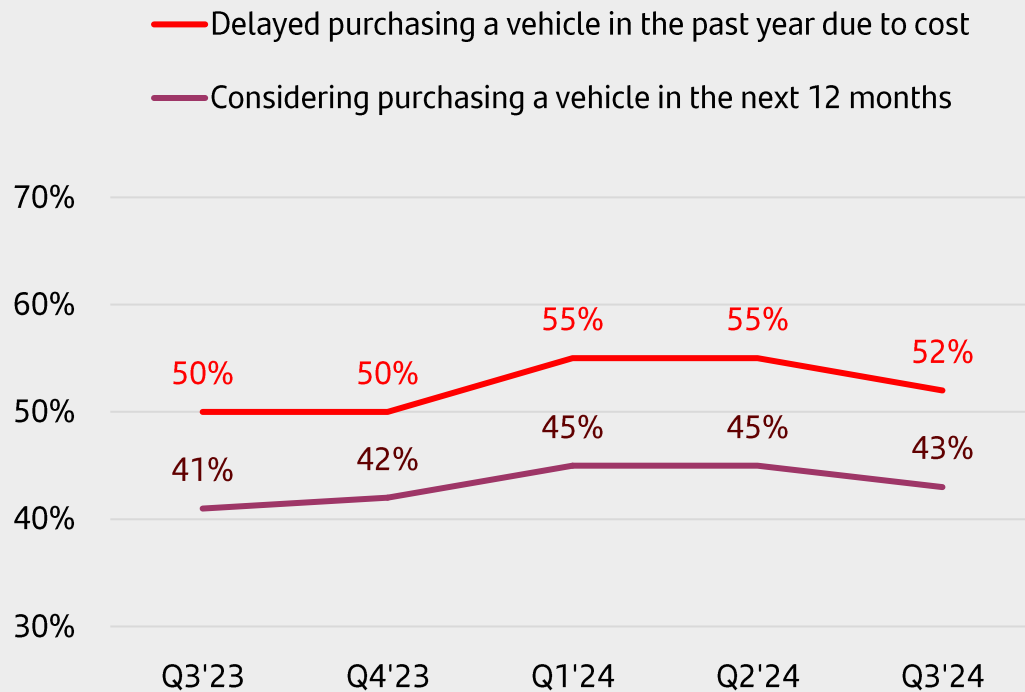
## Vehicles remain a budgetary priority.



# Pent-up demand for vehicles remains, but lower interest rates could drive purchases

Lower-rate financing could incentivize prospective buyers as Fed rate cuts take effect.

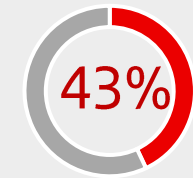
## High demand for vehicles persists:



## Lower interest rates and price decreases could lead to auto purchases over the next year.

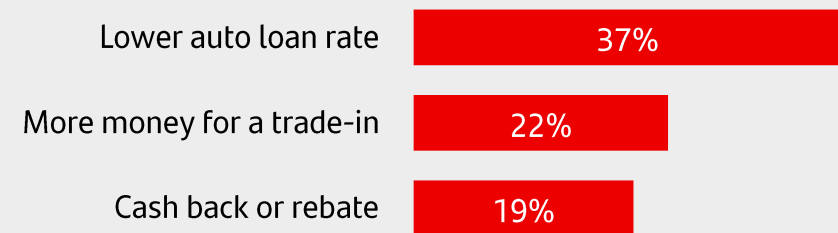


are likely to take out an auto loan if interest rates come down.



would be more likely to purchase a vehicle if prices decrease.

## When it comes to dealer incentives, consumers most prefer low-rate financing\*.

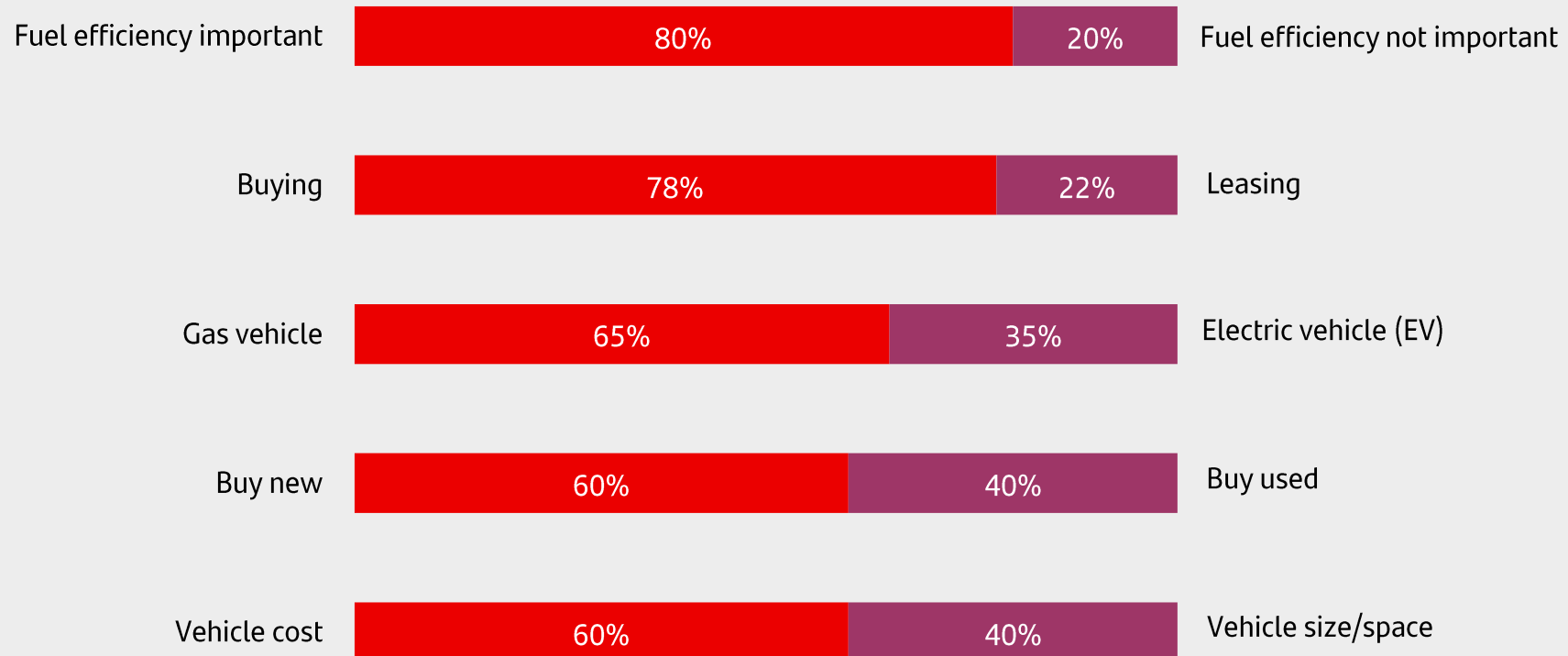


\*Only top responses shown.

# Middle-income Americans' vehicle purchasing preferences

Fuel efficiency and vehicle cost are priorities for most consumers as they contend with everyday price pressures.

## Car Buying Preferences:



# 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 \$148,000<sup>1</sup>.

<sup>1</sup> 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 Q3 study was conducted in August 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 studies were conducted over the following time periods:

- Q2 2024: May 2024
- Q1 2024: February 2024
- Q4 2023: December 2023
- Q3 2023: September 2023
- Q2 2023: May 2023
- Q1 2023: 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](http://www.santanderus.com).

# Disclaimers

© 2024 Santander Bank, N.A. All rights reserved. Santander and the Flame logo are trademarks of Banco Santander, S.A. or its subsidiaries in the United States or other countries. All other trademarks are the property of their respective owners.