

January 23, 2025

Santander US Paths to Prosperity

Financial Prosperity in America:

Middle-income households enter 2025 feeling bullish on the economy and their own financial outlook

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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 seven quarters of research, this installment focuses on households' financial outlook for 2025 following years of inflationary pressures and higher prices. It examines how economic conditions are impacting these households and how they are responding. It also explores middle-income Americans' relationships with drivers of prosperity, including vehicle access and housing.

Key Findings

- 1 American households are bullish on the economy, with expectations for a recession plummeting and many anticipating a stronger job market and lower inflation.
- 2 Consumers enter 2025 with confidence and optimism, expecting their financial prospects to improve and planning additional steps to better their financial situations.
- 3 Middle-income Americans remain resilient as they navigate the effects of inflation, with many continuing to make retail spending cuts in response.
- 4 Recent homebuyers are facing financial headwinds, while renters appreciate the affordability and flexibility of their housing options.
- 5 Pent-up demand for autos remains, with prospective buyers taking initial actions. Auto prices and economic factors are likely to weigh on vehicle purchase decisions in 2025.

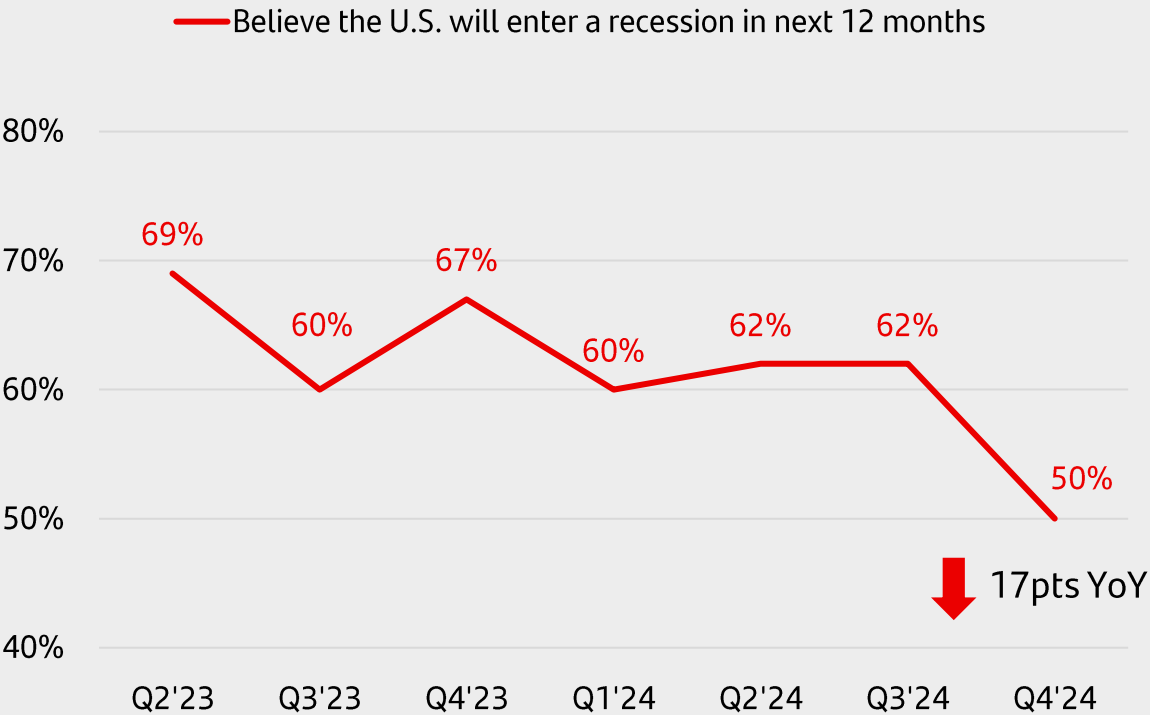
Middle-income Americans enter 2025
with confidence in the economy and
their own financial prospects



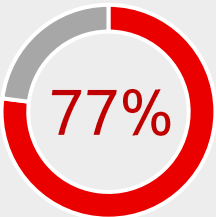
American households have confidence in the state of the U.S. economy

Half of middle-income Americans believe the U.S. will avoid a recession this year, and many predict improvement in the job market and inflation.

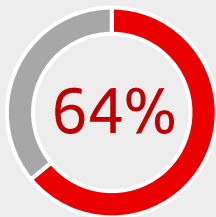
Anticipation of an economic recession plummets.



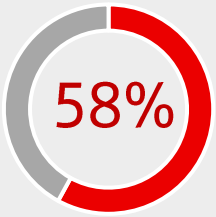
Middle-income Americans feel secure in their jobs and anticipate improvement in both the labor market and inflation this year.



feel secure in their current job.



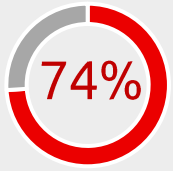
believe the job market will be stronger in 2025.



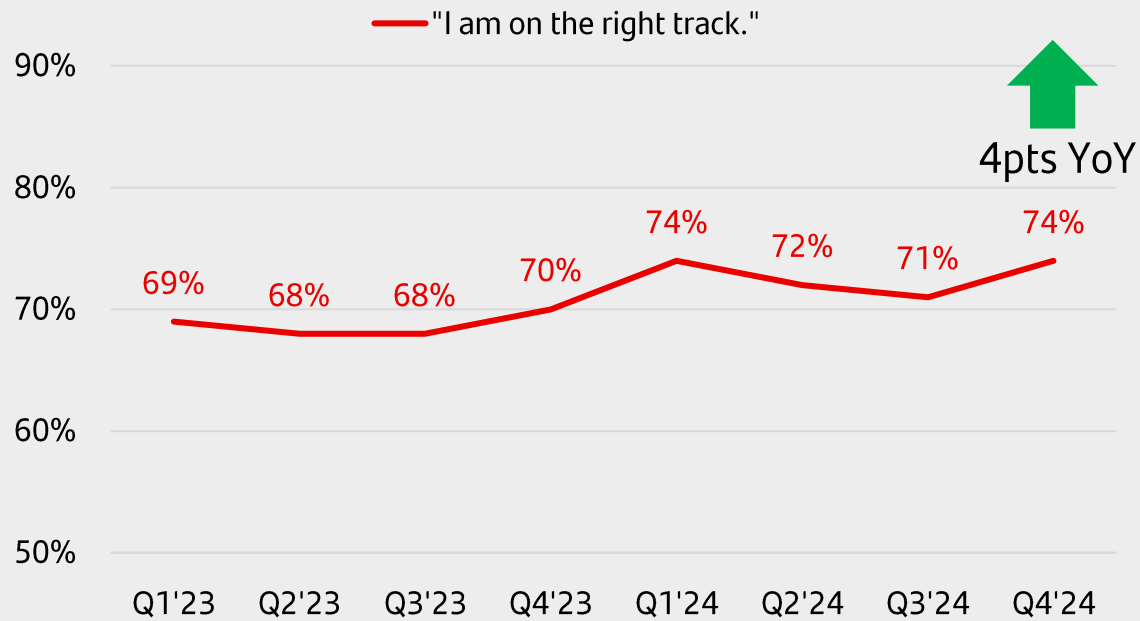
believe inflation will be lower in 2025.

Middle-income Americans believe they are on the right financial path

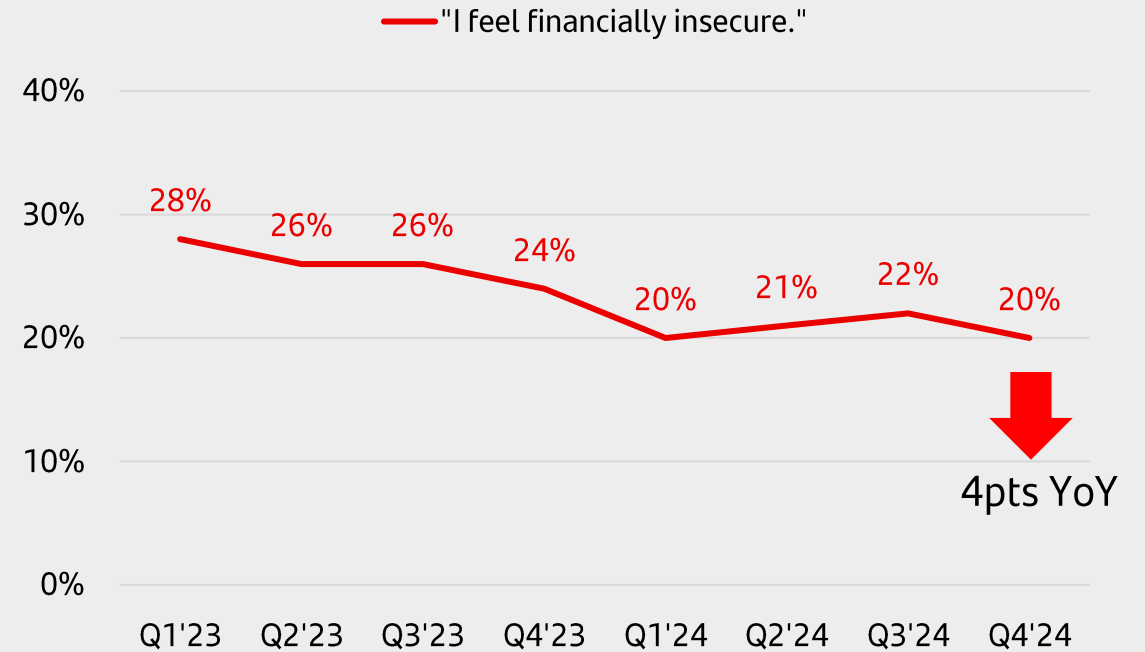
More than half (54%) say their financial situation improved last year, and 3 in 4 (76%) are optimistic their household finances will improve in 2025.



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



of middle-income Americans describe themselves as financially insecure.



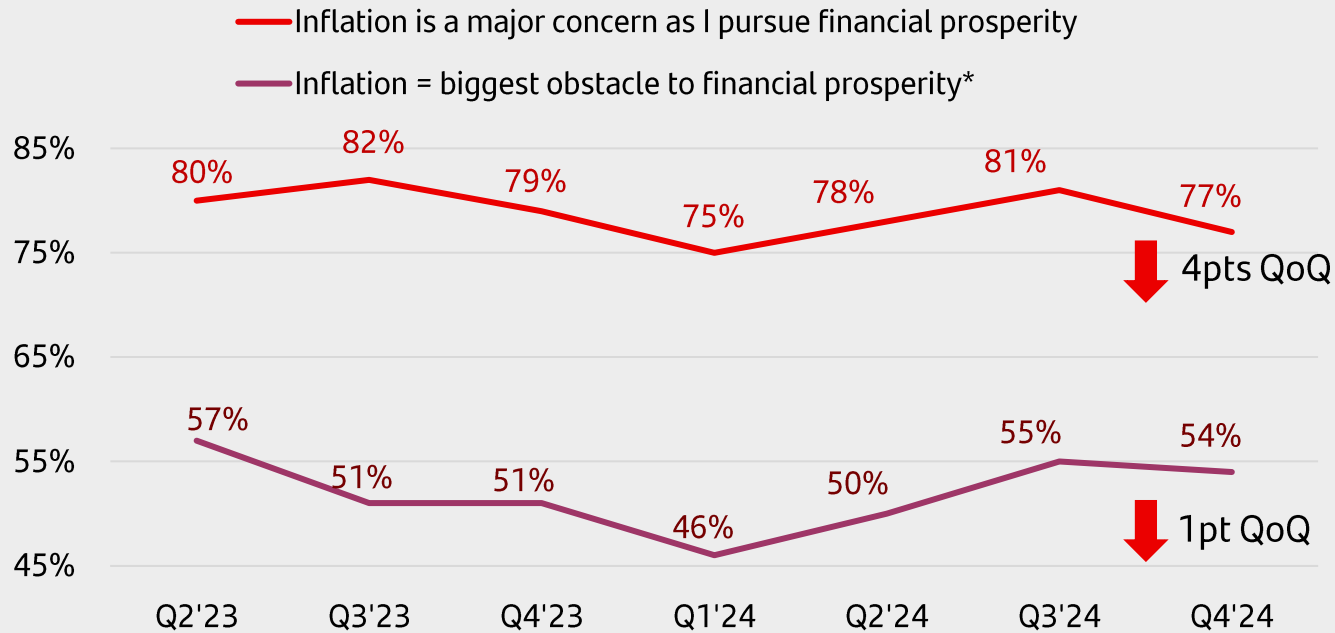
Middle-income Americans remain resilient, taking steps to manage their finances and navigate the effects of inflation



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

Nearly half (47%) say they are managing higher prices better than a year ago.

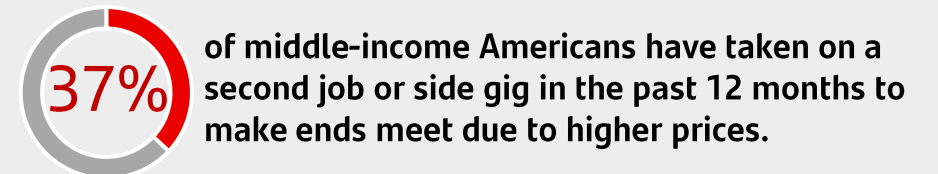
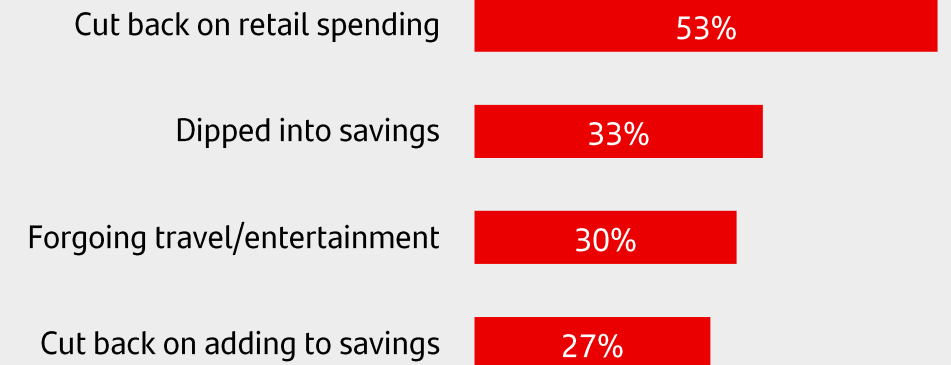
While inflation is still seen as the biggest obstacle to financial prosperity, concern is down slightly from last quarter.



*54% indicated inflation is their biggest obstacle to achieving financial prosperity, the highest of seven response options including slow wage growth (11%) and debt (10%).

More than 8 in 10 (85%) took some action in the past three months due to inflation.

Top actions taken due to inflation over past three months**:

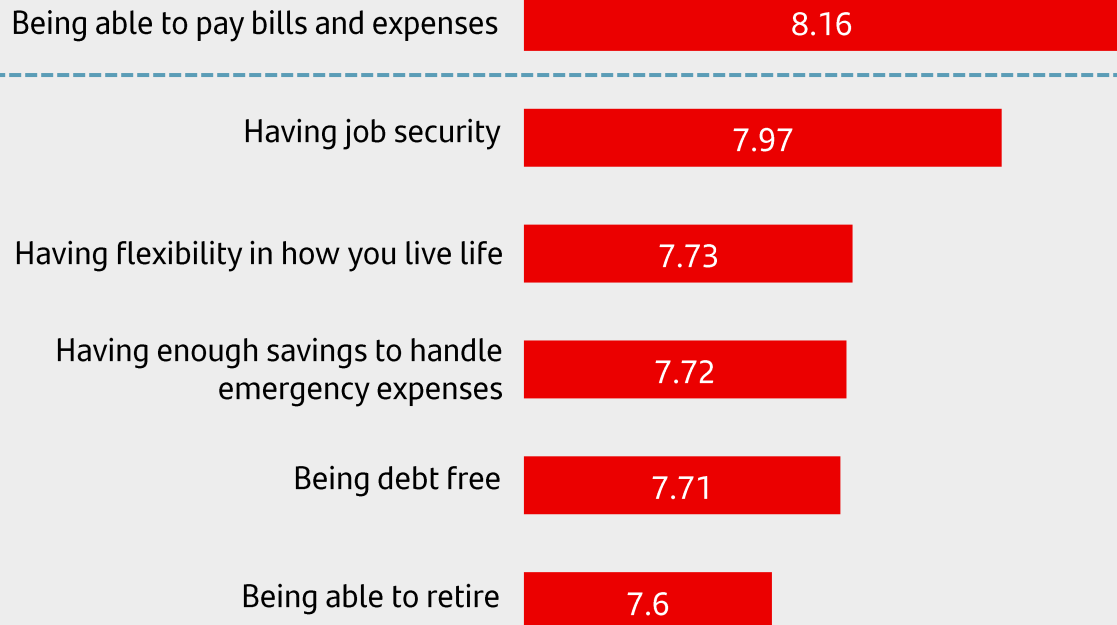


**Respondents could select all that apply; only top actions shown.

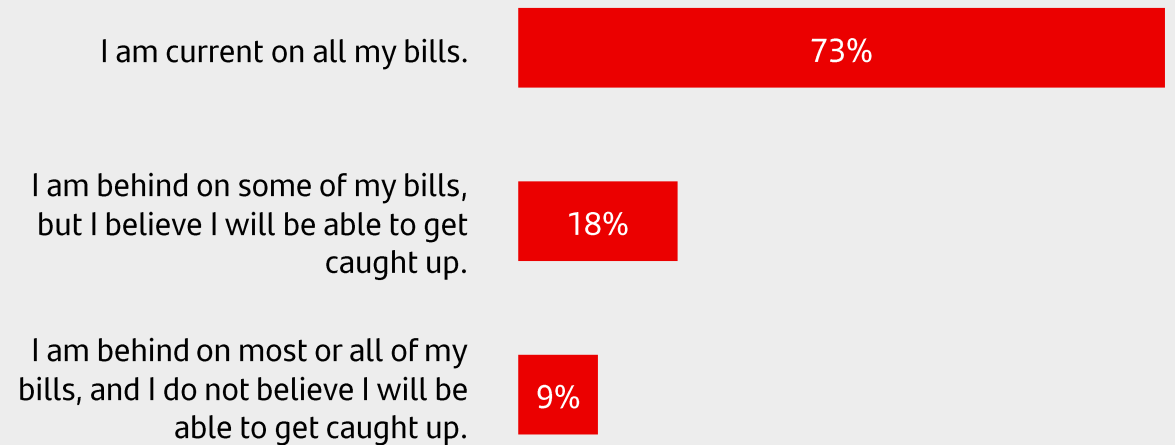
Middle-income Americans favor near-term goals when defining their own financial prosperity

As a result of spending cuts, 3 in 4 are current on their bills – the #1 attribute of being financially prosperous.

On a 1 to 10 scale, middle-income Americans rate what is important to their own financial prosperity*:



Nearly 3 in 4 middle-income households remain current on their financial commitments.



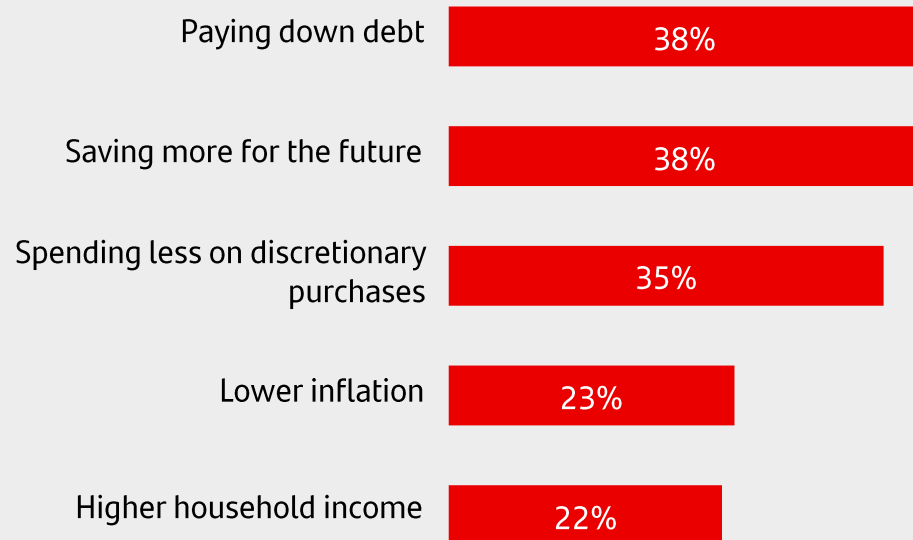
*Top responses shown; ratings are the average of responses based on 1 to 10 scale.

Making progress toward financial prosperity

Many middle-income Americans took steps toward financial prosperity last year, and most are planning to take proactive measures in 2025.

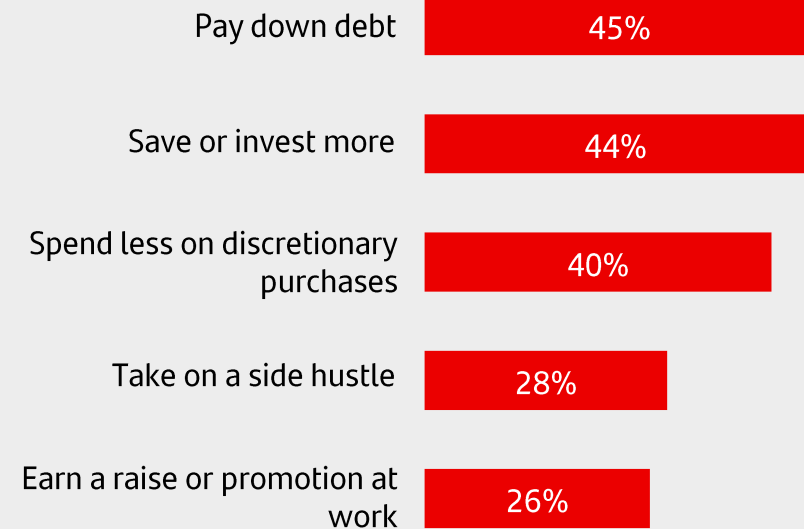
9 in 10 middle-income Americans (89%) made progress toward financial prosperity in 2024.

Top factors that helped middle-income Americans make progress toward financial prosperity*:



Nearly all middle-income Americans (95%) plan to take action to try to improve their financial situation this year.

Actions to improve finances in 2025**:



*Respondents could select up to three; only top responses shown.

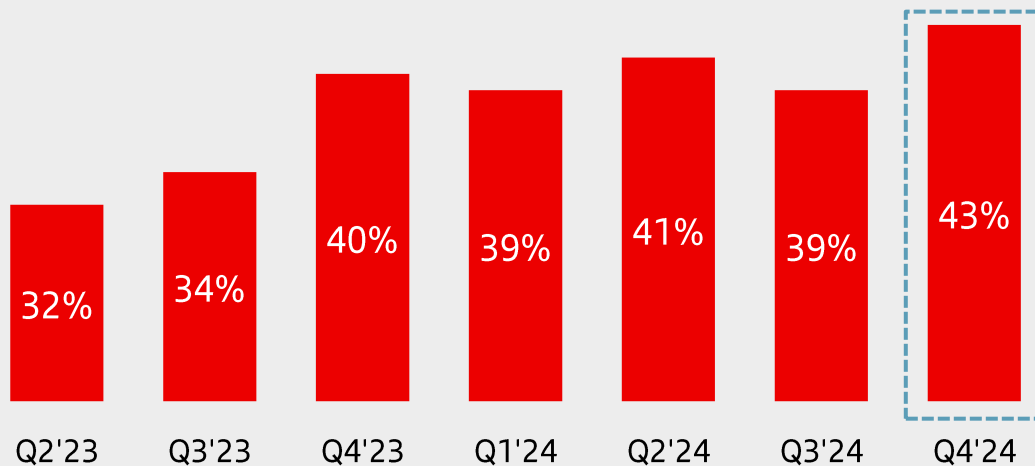
**Respondents could select all that apply; only top responses shown.

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

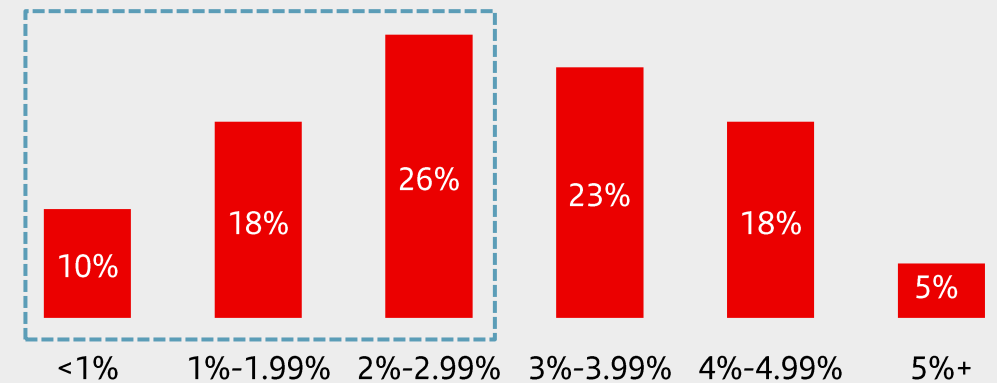
While the majority are not maximizing returns on their deposits, the percentage of households moving money into higher-yielding accounts has increased 11 percentage points since mid-2023.

Nearly 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:



21% of middle-income savers are unaware of their interest rate. Of those who know their rate, the majority (54%) earn less than 3%.



Rising cost of homeownership impacts recent homebuyers, while renters appreciate flexibility and affordability



Rising cost of homeownership impacts recent and prospective homebuyers

Those who purchased homes since early 2020 are struggling financially.

Among those who don't own a home, affordability is the main culprit.

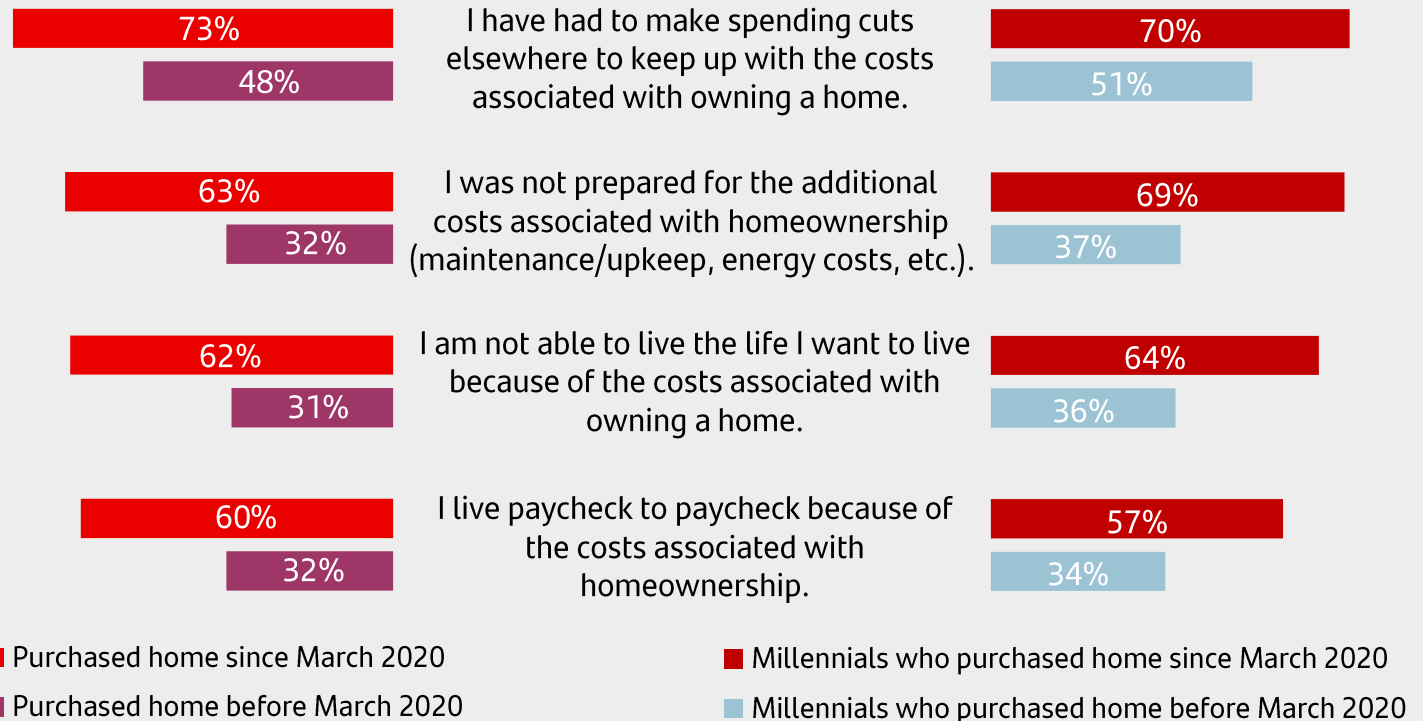
Top three reasons for not owning a home:

- 1 Home prices are too high/unaffordable
- 2 Not enough saved for a down payment
- 3 Interest rates are too high

Less than 3 in 10 middle-income Americans believe that homeownership is a requirement to be financially prosperous.



Rising home prices* and the overall cost of owning/maintaining a home are stretching recent homebuyers.

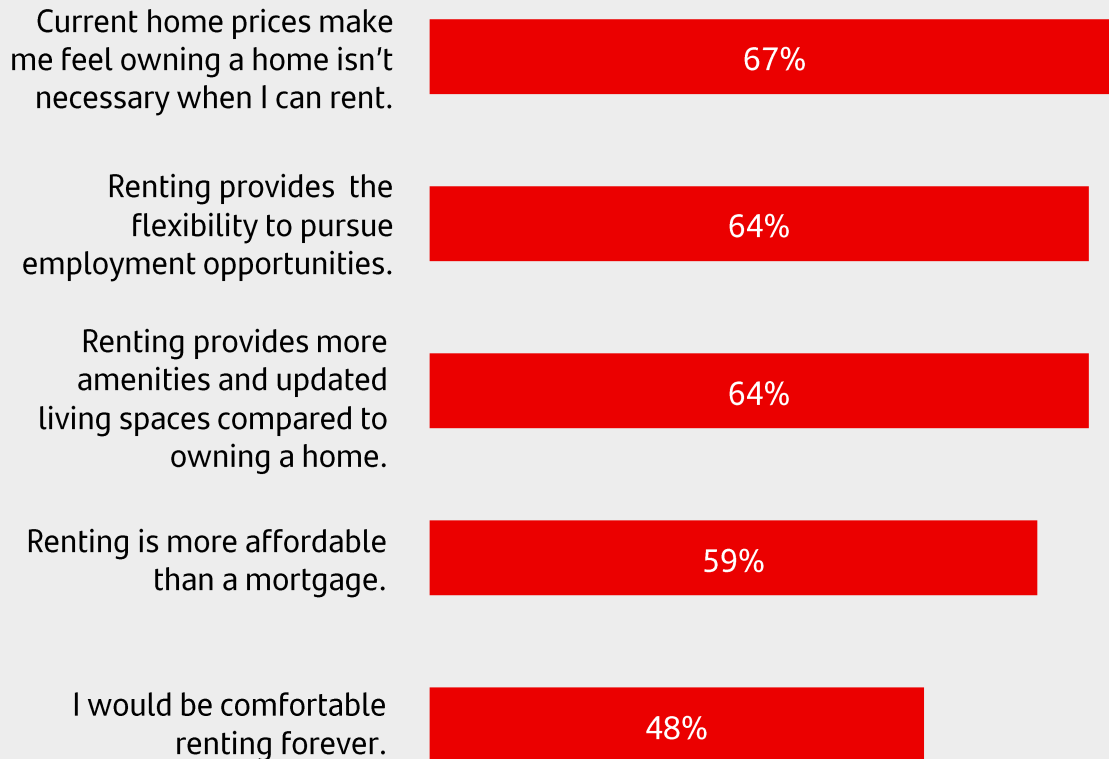


*According to the National Association of Realtors, the current median home price is \$406,100 (as of 1/8/25), up from \$282,500 in March 2020.

Rental and multifamily housing provides affordable, flexible options

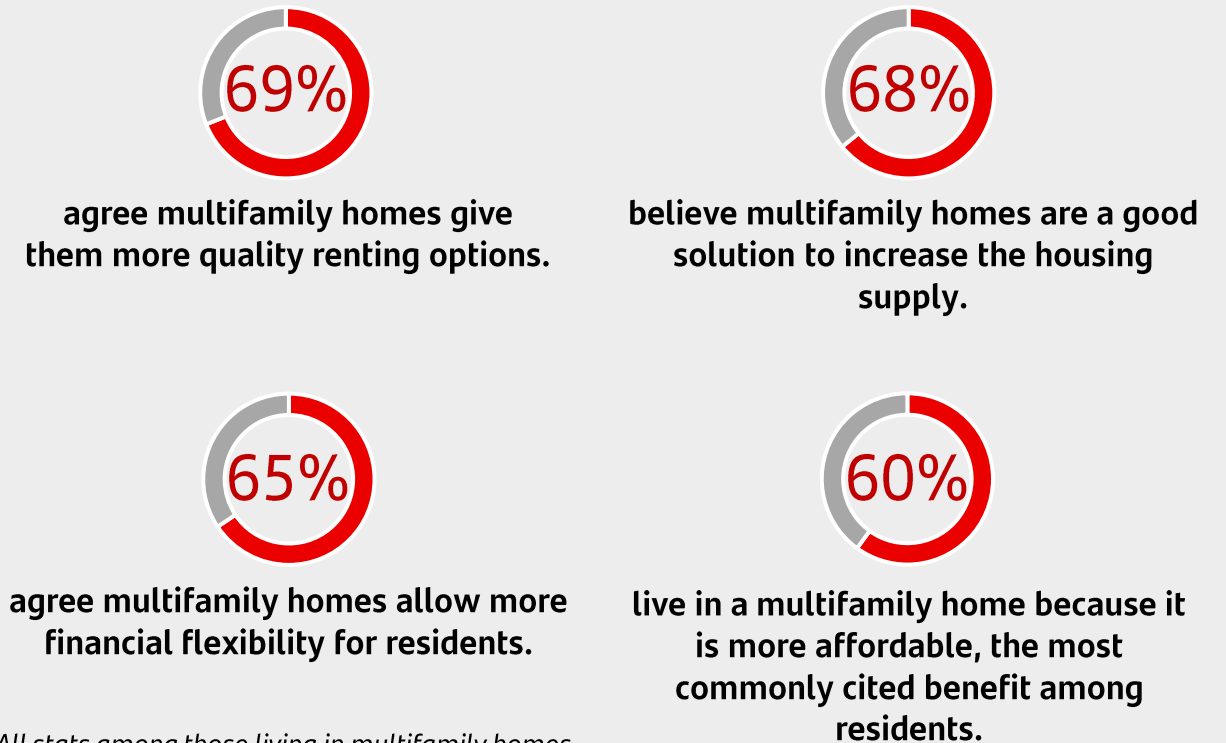
6 in 10 renters agree homeownership as a sign of financial prosperity is an outdated concept.

Renting provides residents with flexibility and other benefits*.



*Among renters.

Those living in multifamily homes find them to be an affordable solution which provide communities with more quality housing options**.



**All stats among those living in multifamily homes.

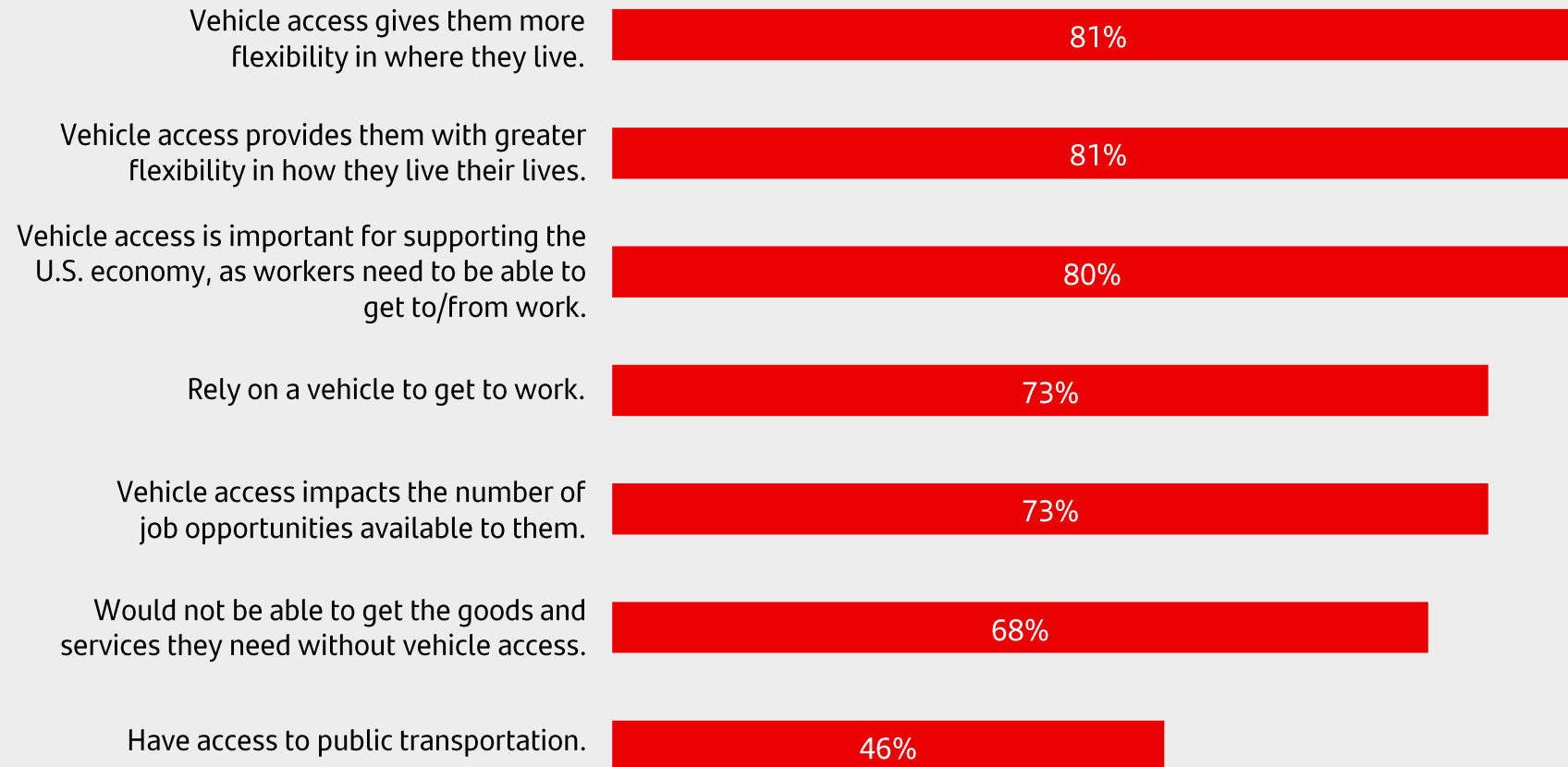
Pent-up vehicle demand remains, as prospective buyers weigh prices, economic factors



Vehicle access provides flexibility in where Americans live and work

Less than half of middle-income Americans have access to public transportation, underscoring the importance of their vehicles.

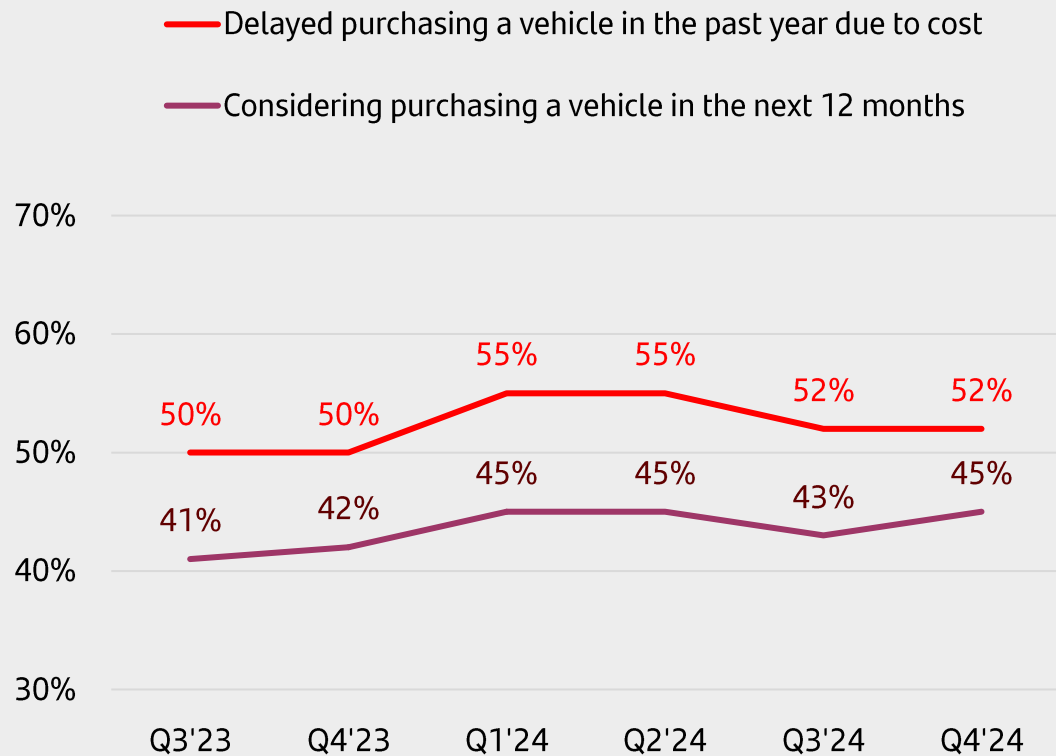
Vehicle access remains key for middle-income Americans' financial prosperity.



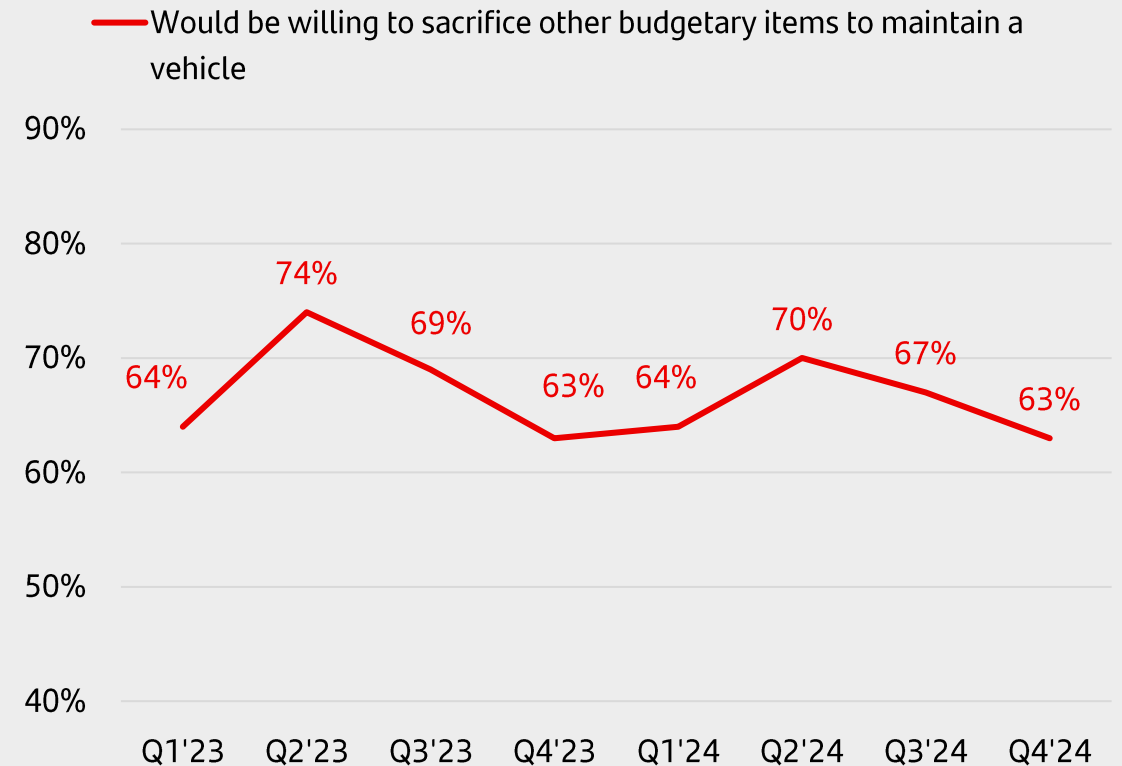
Pent-up demand for autos

Middle-income Americans prioritize maintaining their vehicles over other expenses, as more than half delayed purchasing a vehicle in the past year.

High demand for vehicles persists:



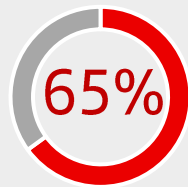
Vehicles remain a budgetary priority.



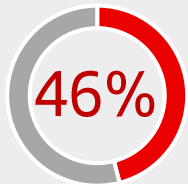
Pent-up demand for autos could be realized with economic improvement, as prospective buyers begin to take action

Among those considering a vehicle purchase in 2025, 71% plan to do so.

Many are taking steps toward their next vehicle purchase. Among the 45% considering buying a vehicle in the next year:



have begun to research options.



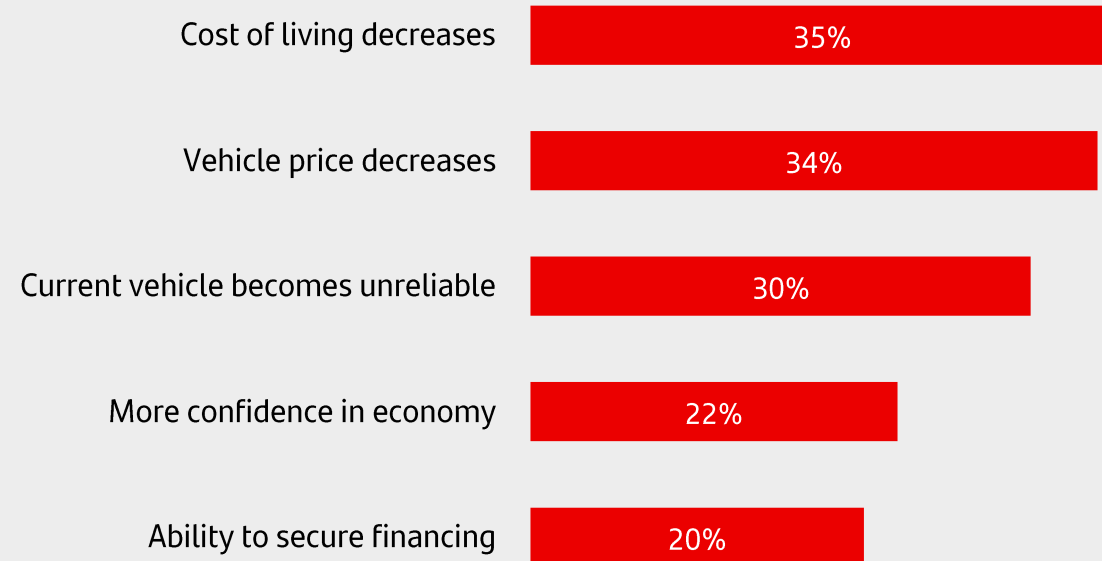
have visited a dealership.



have taken a test drive.

Factors weighing on vehicle purchase decisions.

What are the top two factors that would most impact your likelihood of purchasing a vehicle in the next 12 months*?



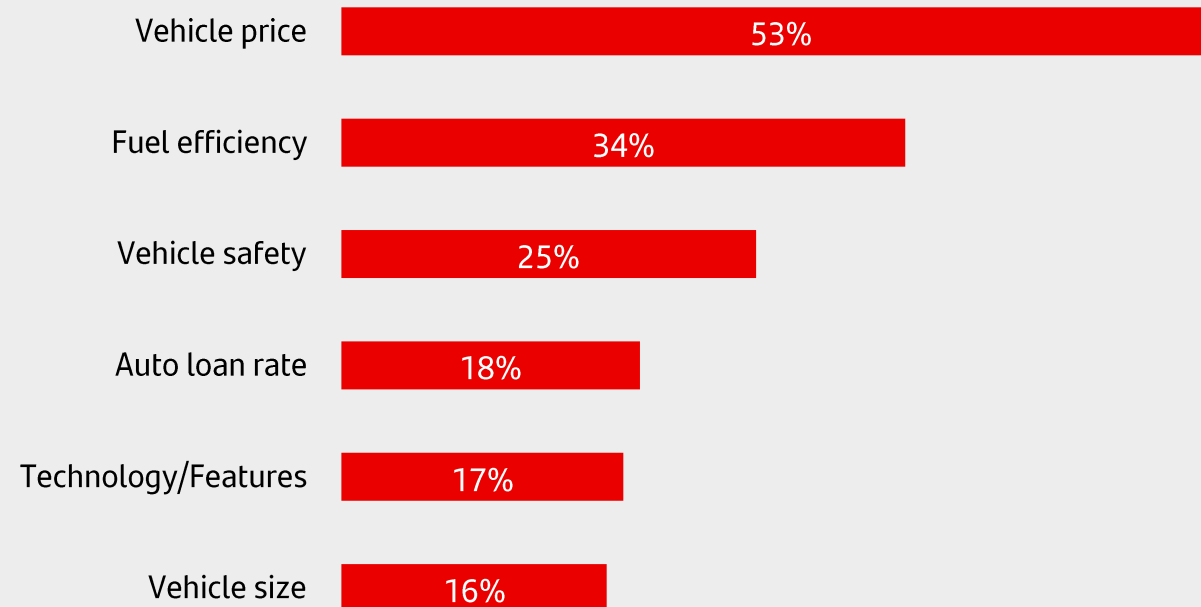
*Among those considering purchasing a vehicle in the next 12 months.

Car buying preferences among prospective buyers

Vehicle cost and fuel efficiency are the most important preferences for buyers as they contend with the effects of inflation.

Fuel efficiency outweighs safety and size on vehicle priority list.

Most important vehicle preferences among those considering purchasing a vehicle in the next year:*



**Top responses shown; respondents could select up to two options*

Methodology



Methodology

This research on financial prosperity, conducted by Morning Consult on behalf of Santander US, surveyed 2,213 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 Q4 study was conducted in December 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:

- Q3 2024: August 2024
- 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 171 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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