



Financial Resilience Index and Survey

The **Financial Resilience Index** measures the middle-class' ability to manage life's challenges and plan for a stable future.
The **Financial Resilience Survey** explores how middle-class households understand their own financial resilience.

 July 2024

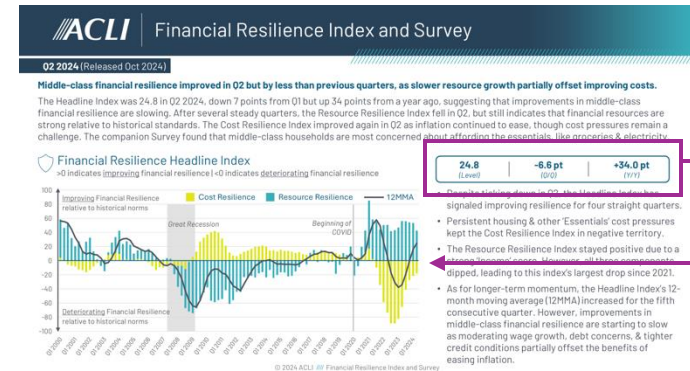
HOW TO READ AND INTERPRET THE INDEX AND SURVEY

The Financial Resilience report includes an Index that compiles data from trusted sources, like the U.S. Bureau of Labor Statistics and Federal Reserve Bank of New York, to show how well-prepared middle-class families are to handle financial challenges. It also includes a survey that describes how middle-class households feel about how they're doing financially.

Page 1 of the report features the Headline Index – which measures financial resilience by comparing changes in middle-class households' costs (e.g., housing and gas, childcare and healthcare, replacing an appliance or going on vacation) to changes in their resources (e.g., income, access to loans, and readiness for retirement). Changes in Headline Index scores over time are shown in a chart, with brief notes that explain the biggest factors affecting the changes.

The Headline Index measures if financial resilience is getting better or worse for middle-class households compared to historical averages. Scores above '0' show improvement, while scores below '0' show things are getting worse. The Cost and Resource Resilience Indices work the same way. For example, a very low score on the Cost Resilience Index means costs are increasing a lot for middle-class households, while a high score means costs are easing up. Page 2 of the report shows charts and explains the scores for the Cost and Resource Resilience Indices.

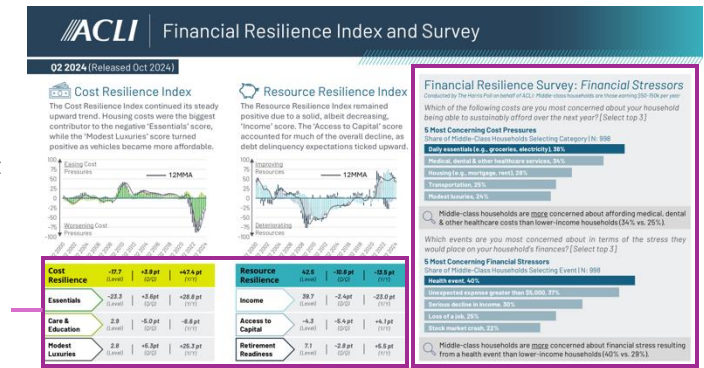
Page 2 also features ACLI's Financial Resilience Survey, which is done every quarter by The Harris Poll, and asks two questions about financial resilience. You can find more details about how the index and the survey were done on page 3. You can also see full survey results on page 4.



Headline Index number with q/q and y/y change

Headline Index chart. Teal represents Resources, Yellow represents Costs

Resource and Cost Resilience Indices are comprised of three thematic subcomponents; subcomponents variables are listed on Page 4



ACLI's Financial Resilience Survey findings

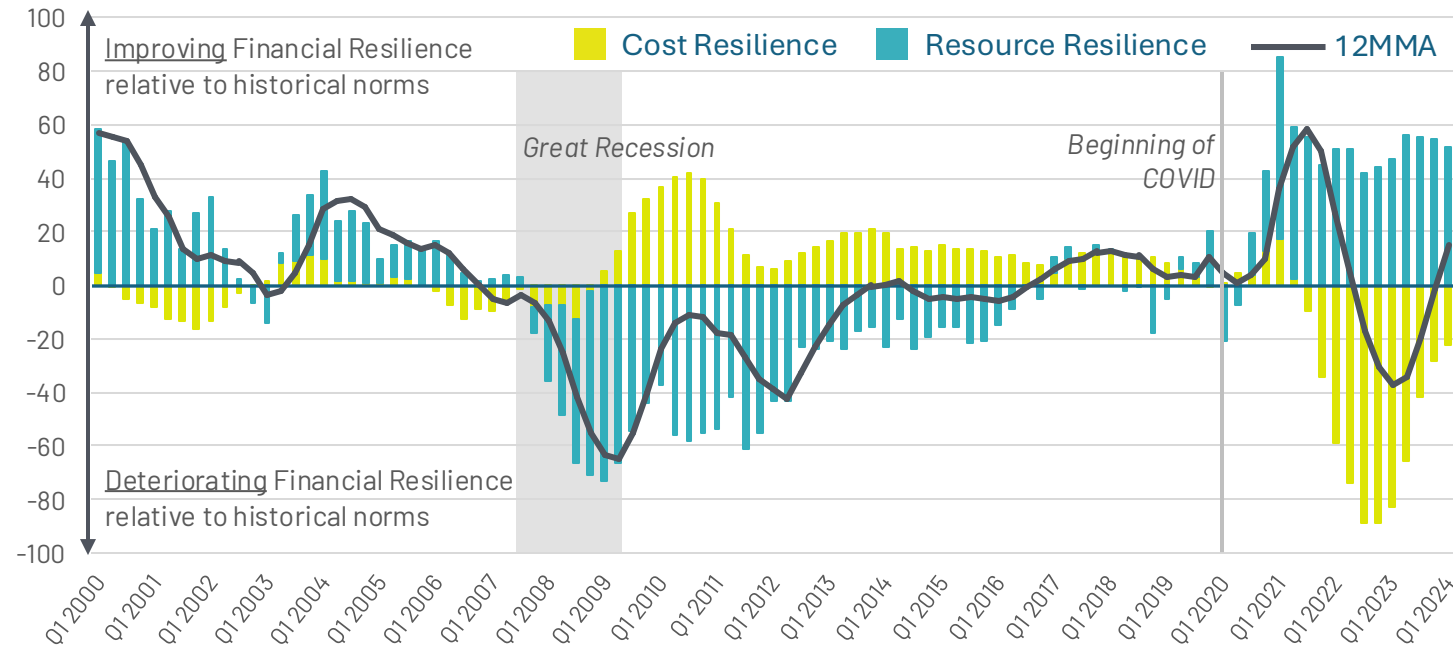
Q1 2024 (Released July 2024)

ACLI's Financial Resilience Index measures the middle-class' ability to manage life's challenges & plan for a stable future.

The Headline Index was 29.5 in Q1 2024, up 3 points from Q4 2023 & up 65 points from a year ago, suggesting that middle-class financial resilience is gradually improving. The Cost Resilience Index improved for the fifth consecutive quarter but remains in negative territory, as cost pressures are still high relative to historical standards. Meanwhile, the Resource Resilience Index remained positive but has inched down over the past year. With solid resources & easing (but still strong) cost pressures, middle-class households will be looking for opportunities to rebuild their safety net.

Financial Resilience Headline Index

>0 indicates improving financial resilience | <0 indicates deteriorating financial resilience



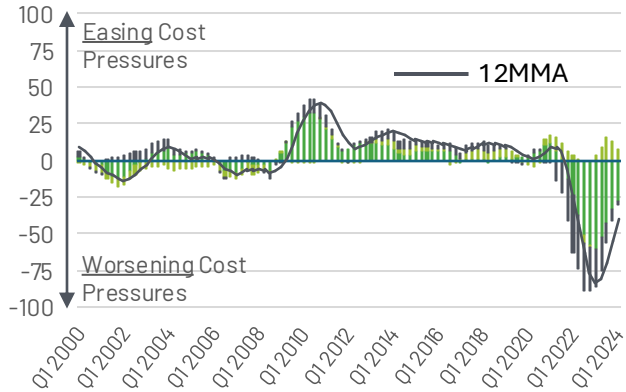
29.5 (Level)	+3.3 pt (Q/Q)	+65.0 pt (Y/Y)
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- The Headline Index was positive for the third quarter in a row, as a solid & stable score for resources continues to offset a negative but improving score for costs.
- With high housing costs weighing on middle-class finances, the 'Essentials' subcomponent dragged on the Cost Resilience Index.
- Wage growth has eased, though it remains well above its long-term historical average, causing a still-solid Resource Resilience Index to decline slightly in Q1.
- The Headline Index's 12-month moving average (12MMA) turned positive for the first time since Q2 2022. Middle-class financial resilience may be turning a corner with inflation trending back toward historical norms & several years of historically strong income growth.

Q1 2024 (Released July 2024)

Cost Resilience Index

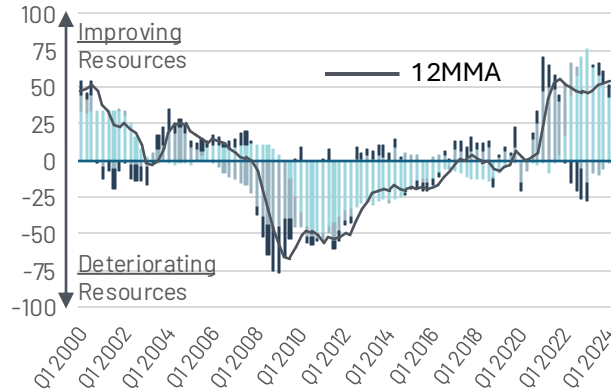
The Cost Resilience Index had its best reading since 2021 but is still in negative territory. Cost pressures remain most acute for items in the 'Essentials' subcomponent, including housing & vehicle insurance.



Cost Resilience	-22.2 (Level)	+5.8 pt (Q/Q)	+60.6 pt (Y/Y)
Essentials	-27.6 (Level)	+6.2 pt (Q/Q)	+32.7 pt (Y/Y)
Care & Education	7.9 (Level)	-5.0 pt (Q/Q)	+3.8 pt (Y/Y)
Modest Luxuries	-2.5 (Level)	+4.6 pt (Q/Q)	+24.1 pt (Y/Y)

Resource Resilience Index

The Resource Resilience Index remained strongly positive, boosted by a high but easing 'Income' subcomponent. Meanwhile, the 'Retirement Readiness' subcomponent improved due to strong asset growth.

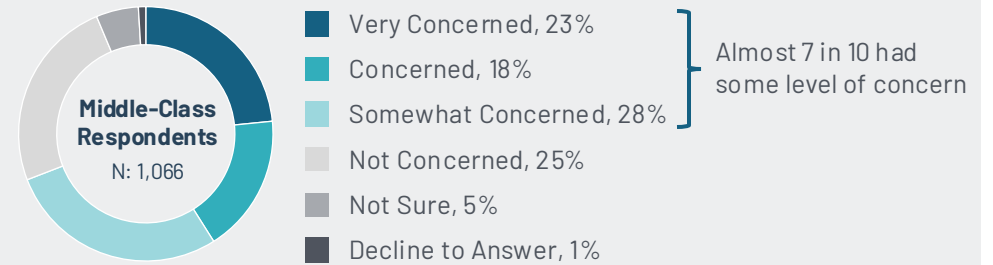


Resource Resilience	51.8 (Level)	-2.5 pt (Q/Q)	+4.4 pt (Y/Y)
Income	42.8 (Level)	-9.8 pt (Q/Q)	-33.0 pt (Y/Y)
Access to Capital	-0.3 (Level)	+5.9 pt (Q/Q)	+15.1 pt (Y/Y)
Retirement Readiness	9.3 (Level)	+1.4 pt (Q/Q)	+22.3 pt (Y/Y)

Financial Resilience Survey: Economic Mobility

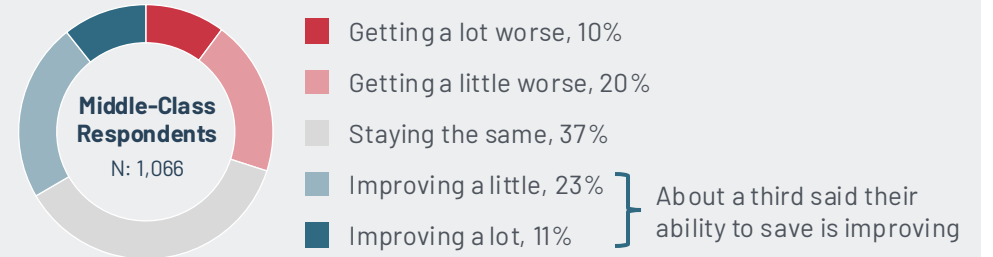
Conducted by The Harris Poll on behalf of ACLI; Middle-class households are those earning \$50-150k per year

How concerned are you about the risk of a serious decline in your household's financial situation in the coming months?



More middle-class respondents had concern about a serious decline in their household's finances than upper-income respondents (69% vs 54%).

Compared to last year, how would you characterize your ability to save for the future?



A subset of all middle-class responses, 47% of small business owners said that their ability to save for the future is improving a lot or a little.

ABOUT THE INDEX & SURVEY

The **Headline Index** measures the middle-class' ability to manage life's challenges and plan for a stable future. The **Cost Resilience Index** measures the ability to afford modest luxuries without trading off the essentials, and to afford life-stage appropriate care and education. The **Resource Resilience Index** measures the ability to handle unexpected expenses and sustain a quality of life, and to save and live well in retirement.

Composition. The Financial Resilience Index measures the direction and magnitude of changes in middle-class financial resilience by tracking 26 variables that represent important middle-class cost pressures and financial resources. Input variables have been scoped to the middle-class, based on typical components of a middle-class household budget or income and wage brackets, with several exceptions where wage/income brackets were unavailable for certain data series. The Headline Index is composed of a Cost Resilience Index and a Resource Resilience Index, each of which has three subcomponents. This composition frames financial resilience as the interaction of cost pressures and financial resources and provides insight into the specific underlying factors that drive changes in middle-class financial resilience.

- Cost Resilience Index subcomponents include: (1) The Essentials; (2) Care & Education; and (3) Modest Luxuries. The cost variables that make up these subcomponents are not intended to represent a comprehensive middle-class budget or provide an alternate measure of inflation. Rather, they reflect the types of expenditures that define a typical middle-class American lifestyle. (See table on the next page for more detail)
- The Resource Resilience Index subcomponents include: (1) Income; (2) Access to Capital; and (3) Retirement Readiness. (See table on the next page for more detail)

Index Methodology. The Financial Resilience Index is a z-score index. All variables are harmonized to a quarterly frequency. Price and wealth variables are transformed to a year/year percent growth basis. Z-scores are used to standardize the transformed variables, using January 2000 to March 2024 as the historical sample period. Z-scores are multiplied by a constant of '100' so that index values are generally bounded by +/-100. Some variable values (e.g., cost-related variables) are inverted so that a positive index score always indicates improving conditions, and a negative index score always indicates worsening conditions. The result of these transformations is a quarterly index that compares the direction and degree of the most recent quarterly reading to the long-run historical average quarterly reading. For example, a very high positive index score (>40) indicates substantial improvement in overall resilience, cost pressures, or resources relative to the long-run historical average; a very low negative index score (<-40) indicates substantial worsening in overall resilience, cost pressures, or resources relative to the long-run historical average. Each index and subcomponent are weighted to reflect their relative importance and impact on middle-class financial resilience. The Cost Resilience Index accounts for 40% of the Headline Index value and the Resource Resilience Index accounts for 60%. Within the Cost Resilience Index, 'The Essentials' subcomponent is 55%, 'Care & Education' is 15%, and 'Modest Luxuries' is 30%. Within the Resource Resilience Index, the 'Income' subcomponent is 45%, 'Access to Capital' is 35%, and 'Retirement Readiness' is 20%. Z-scores are multiplied by their respective weights and aggregated to compose the indices.

Survey Methodology. The Financial Resilience Survey was conducted online within the United States by The Harris Poll on behalf of ACLI from July 30 - August 1, 2024, among 2,081 adults ages 18 and older. This report primarily presents the survey results for the 1,066 respondents from middle-class households - those earning \$50,000 to \$150,000 in annual household income. Upper-income households are those earning more than \$150,000 in annual household income, and lower-income households are those earning less than \$50,000 in annual household income. Results may not sum to 100% due to rounding. For complete survey methodology, including weighting variables and subgroup sample sizes, please contact ACLI.

DATA SOURCES

Index	Subcomponent (Index Weight)	Variable	Data Source
Cost Resilience (40%)	Essentials (55%)	Owners' equivalent rent of primary residence	Consumer Price Index, U.S. Bureau of Labor Statistics
		Rent of primary residence	
		Groceries	
		Electricity	
		Gasoline	
		Motor vehicle parts and equipment	
		Motor vehicle maintenance and repair	
		Motor vehicle insurance	
	Internet services		
	Care & Education (15%)	Medical care services	
		College tuition and fees	
		Day care and preschool	
		Prescription drugs	
	Modest Luxuries (30%)	Dining out	
		Recreation	
Household appliances, furnishings, and services			
New vehicles			
Used vehicles			
Hotel stays			
Resource Resilience (60%)	Income (45%)	Wage growth, 25-75 th wage percentile	Wage Growth Tracker, Federal Reserve Bank of Atlanta
	Access to Capital (35%)	Non-retirement wealth, 40-80 th income percentile	Distributional Financial Accounts, Board of Governors of the Federal Reserve System
		Access to consumer credit	Senior Loan Officer Opinion Survey on Bank Lending Practices, FRS Board of Governors
		Debt delinquency expectations, \$50-100K in income	Survey of Consumer Expectations, Federal Reserve Bank of New York
	Retirement Readiness (20%)	Retirement assets, 40-80 th income percentile	Distributional Financial Accounts, Board of Governors of the Federal Reserve System
		Probability of comfortable retirement, middle income tercile	Survey of Consumers, University of Michigan