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 2025

- The Financial Resilience Index shows that middle-class financial resilience is returning to historical norms, as the index slid in Q1 2025 and is approaching ‘0’.

- The companion survey found that over half (55%) of middle-class households are at least somewhat concerned about the risk of serious decline in their household’s financial situation.

HOW TO READ AND INTERPRET THE REPORT

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 Resource and Cost 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 unpacks the drivers behind the scores for the Resource and Cost Resilience Indices.

Page 3 of the report presents the survey results, including a 'headline' takeaway about the middle-class overall and a deeper dive insight into specific demographic groups.

Financial Resilience Index

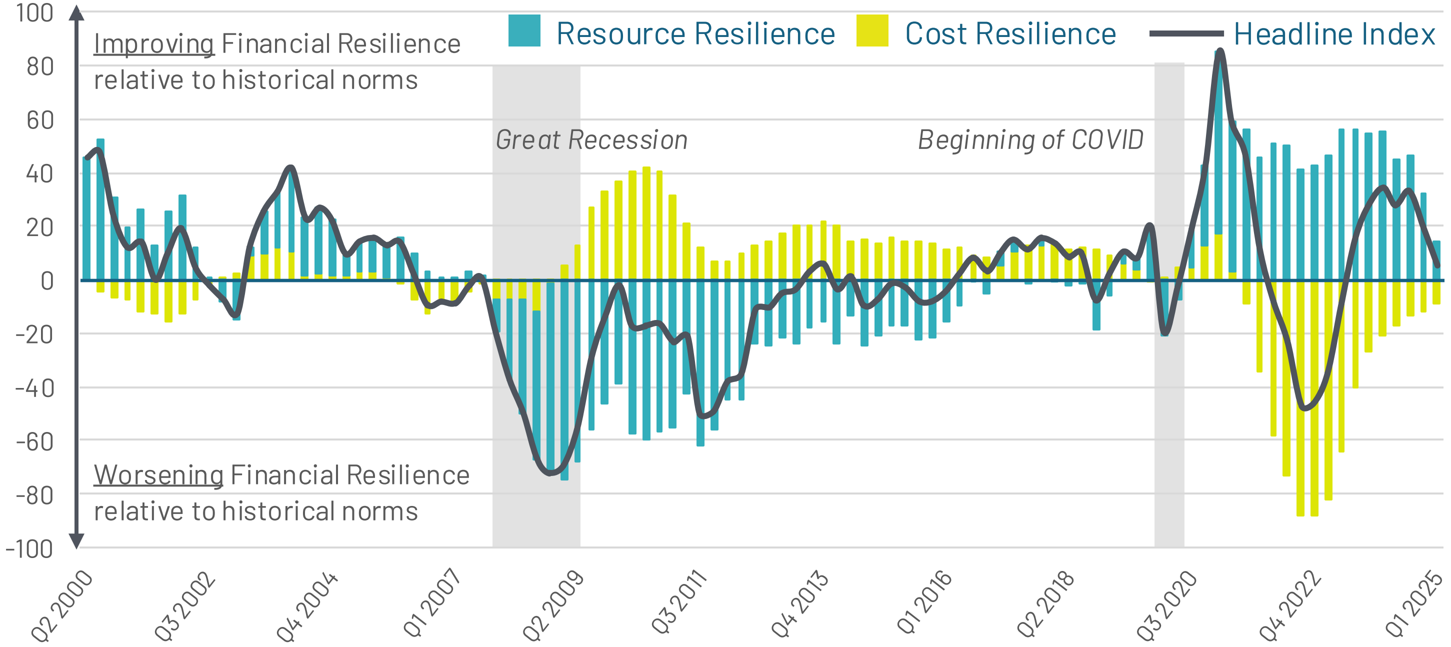
Q1 2025 (Released July 2025)

Middle-class financial resilience returned to historical norms, as the Financial Resilience Index slid in Q1 2025 and is approaching '0'.

The Headline Index was 5.0 in Q1 2025, down 15 points from Q4 2024 and down 29 points from a year ago. This indicates that middle-class financial resilience is roughly in line with the historical average. The Resource Resilience Index remained in positive territory but fell to its lowest level in almost five years, while the Cost Resilience Index continued to inch out of negative territory. The index's companion survey indicated that households are anxious about the future, with more than half (55%) at least somewhat concerned about the risk of serious decline in their financial situation.

Financial Resilience Headline Index

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



5.0 (Level)	-14.7pt (Q/Q)	-29.3pt (Y/Y)

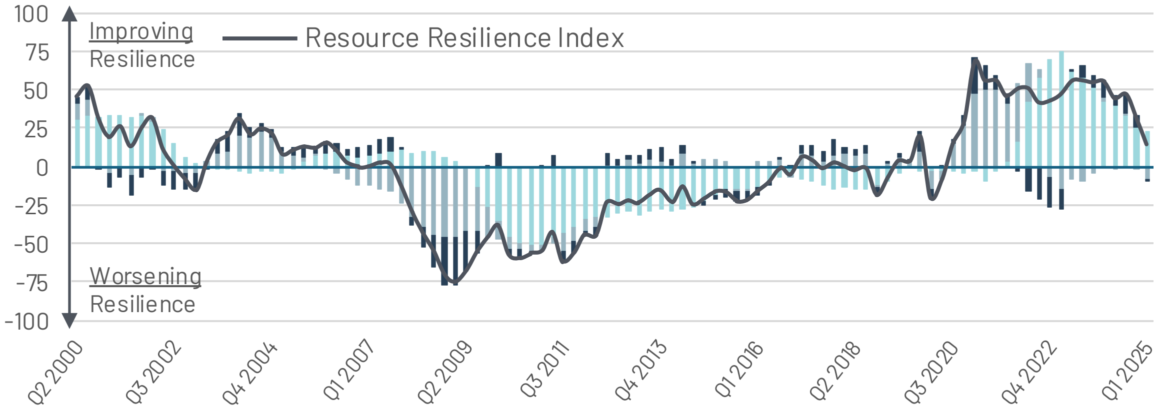
- The Headline Index declined for the second quarter in a row, as a notable drop in Resource Resilience outweighed a small uptick in Cost Resilience. Even so, the Headline score has held above '0' for nearly two years.
- The Resource Resilience Index fell again due to declines in all three subcomponents. 'Access to Capital' and 'Retirement Readiness' contributed most to the drop in the overall score, but 'Income' growth also continued to slow.
- The Cost Resilience Index increased for the ninth consecutive quarter and is nearing '0'. Cost pressures for 'Essentials' and 'Care & Education' eased, while those for 'Modest Luxuries' worsened slightly.

Financial Resilience Index

Q1 2025 (Released July 2025)

Resource Resilience Index

'Access to Capital' and 'Retirement Readiness' both fell in Q1 due to slower asset growth — contributing to a notable drop in the overall Resource Index. The 'Income' score continued to reflect above-average wage growth, even as the pace of wage gains slowed for the eighth consecutive quarter.



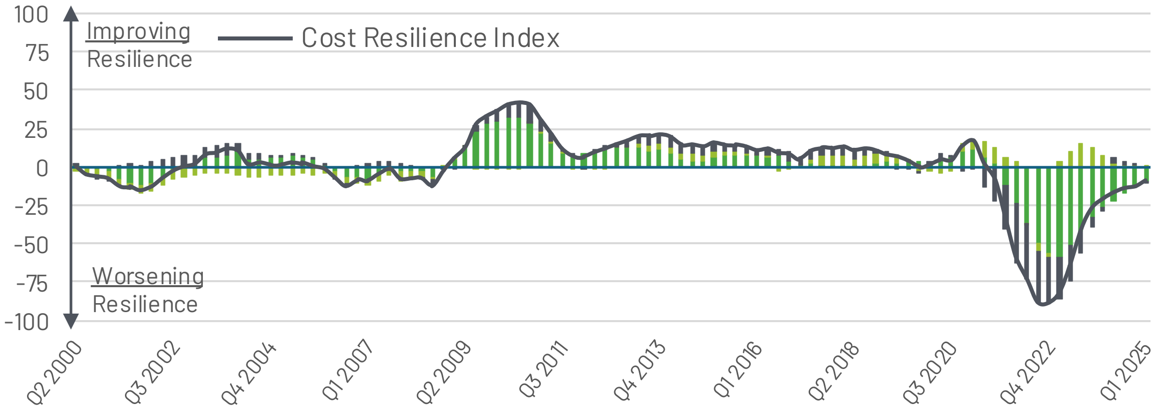
Resource Resilience	14.3 (Level)	-17.5 pt (Q/Q)	-41.0 pt (Y/Y)
Income	23.4 (Level)	-2.4 pt (Q/Q)	-18.2 pt (Y/Y)
Access to Capital	-8.8 (Level)	-7.3pt (Q/Q)	-12.6 pt (Y/Y)
Retirement Readiness	-0.3 (Level)	-7.8pt (Q/Q)	-10.1 pt (Y/Y)

Zooming In: 'Access to Capital'
Access to consumer credit

Access to credit was stable for households, with the vast majority of banks reporting that they kept standards for approving credit card applications "basically unchanged" in Q1.

Cost Resilience Index

Housing cost pressures kept the 'Essentials' score in slightly negative territory but the Cost Index is close to historical norms. Easing cost pressures for medical services led to an improvement in the 'Care & Education' score, while higher inflation for recreation pulled 'Modest Luxuries' below '0' for the first time in a year.



Cost Resilience	-9.3 (Level)	+2.8 pt (Q/Q)	+11.6 pt (Y/Y)
Essentials	-9.9 (Level)	+3.9 pt (Q/Q)	+16.4 pt (Y/Y)
Care & Education	1.5 (Level)	+1.2 pt (Q/Q)	-6.4 pt (Y/Y)
Modest Luxuries	-0.9 (Level)	-2.3 pt (Q/Q)	+1.6 pt (Y/Y)

Zooming In: 'Care & Education'
Healthcare costs

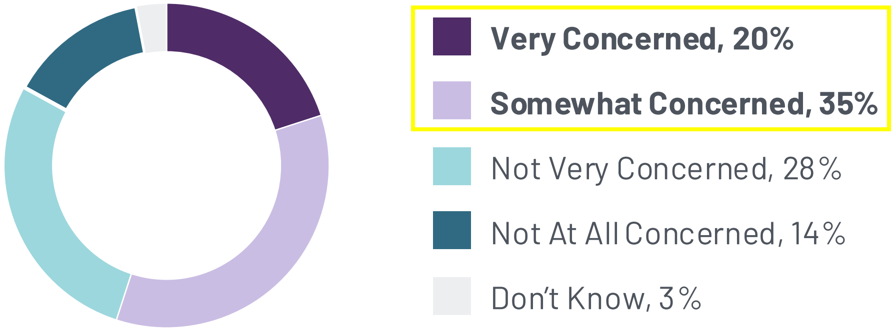
Households benefited from below-average price growth for medical care services, but higher inflation for prescription drugs meant that not all healthcare-related cost pressures eased in Q1.

Financial Resilience Survey: Economic Mobility

Q1 2025 (Released July 2025)

Household Financial Decline

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



Over half (55%) of middle-class households are <u>at least somewhat concerned</u> about a serious decline in their household's financial situation, while one-in-five (20%) are <u>very concerned.</u>

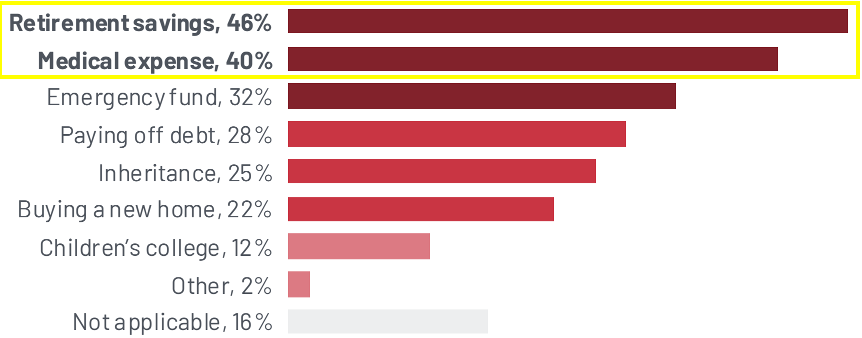
Zooming In

Generational Divide: Millennials + Gen X

More middle-class Millennial (29 to 44) and Gen X (45 to 60) households are <u>concerned</u> about the risk of a serious decline than are their younger and older counterparts.

Lifetime Financial Goals

Which three, if any, of the following financial goals are you <u>least</u> confident about achieving over the course of your life?



Almost half (46%) of middle-class households are <u>not confident</u> they will be able to build sufficient retirement savings, while 40% are <u>not confident</u> they will be financially protected in the case of a major medical expense.

Zooming In

Generational Divide: Baby Boomers

One-third (33%) of middle-class Baby Boomers (61 to 79) — a generation that is nearing or has entered retirement — are <u>not confident</u> they can build enough retirement savings to retire at their desired age and lifestyle.

The Financial Resilience Survey is conducted by YouGov on behalf of ACLI; Middle-class households (n = 1,309) are those earning $50-150k per year.

ABOUT THE INDEX & SURVEY

The **Headline Index** measures the middle-class' ability to manage life's challenges and plan for a stable future. 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. 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.

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 Resource Resilience Index and a Cost Resilience Index, each of which has three subcomponents. This composition frames financial resilience as the interaction of financial resources and cost pressures and provides insight into the specific underlying factors that drive changes in middle-class financial resilience.

- Resource Resilience Index subcomponents include: (1) Income; (2) Access to Capital; and (3) Retirement Readiness. *(See table on the next page for more detail)*
- 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)*

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 April 2000 to March 2025 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 Resource Resilience Index accounts for 60% of the Headline Index and the Cost Resilience Index accounts for 40%. Within the Resource Resilience Index, the 'Income' subcomponent is 45%, 'Access to Capital' is 35%, and 'Retirement Readiness' is 20%. Within the Cost Resilience Index, 'The Essentials' subcomponent is 55%, 'Care & Education' is 15%, and 'Modest Luxuries' is 30%. 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 YouGov on behalf of ACLI from June 27 – July 2, 2025, among 3,331 adults ages 18 and older. This report primarily presents the survey results for the 1,309 respondents from middle-class households—those earning $50,000 to $149,999 in annual household income. Upper-income households are those earning $150,000 or more in annual household income and lower-income households are those earning less than $50,000 in annual household income. This report only presents comparisons between subgroups that are statistically significant. For complete survey methodology, including subgroup sample sizes and information about statistical significance, please contact ACLI.

DATA SOURCES

Index	Subcomponent *(Index Weight)*	Variable	Data Source
Resource Resilience *(60%)*	**Income** *(45%)*	Wage growth, 25-75th wage percentile	*Wage Growth Tracker*, Federal Reserve Bank of Atlanta
	Access to Capital *(35%)*	Non-retirement wealth, 40-80th 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, 40-80th income percentile	*Distributional Financial Accounts*, Board of Governors of the Federal Reserve System
		Change in likelihood of comfortable retirement, middle income tercile	*Survey of Consumers*, University of Michigan
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	
		Airline fares	