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SPECIAL REPORT: Even as Inflation Drops, Financial Challenges Remain for Middle-Income Families

Compounding impact of inflation has resulted in average cumulative household budget deficit of nearly \$2,500 since May 2021

DULUTH, Ga.--(BUSINESS WIRE)-- Primerica, Inc. (NYSE: PRI), a leading provider of financial services in the United States and Canada, released a special report titled, ["Perception vs. Reality: Examining Middle-Income Households' Financial Outlook Heading into 2024."](#)

The report finds that while the pace of inflation has moderated, data from Primerica's [Financial Security Monitor™ \(FSM™\)](#) and [Household Budget Index™ \(HBI™\)](#) show it continues to affect the financial outlook of middle-income households, whose budgets are disproportionately impacted by the cost of necessities. In fact, data from the HBI™, a monthly assessment of middle-income household purchasing power, indicates the rise in the cost of food, gas, utilities, and health care since May 2021 has created an average cumulative budget deficit of \$2,440 in family budgets. As a result, rebuilding depleted savings and paying off debt is likely to take several more months and potentially even several years for many middle-income families.

The report is founded on a unique combination of consumer survey data and modeling of official economic data, and was researched and written by Amy Crews Cutts, Ph.D., CBE®, economic consultant to Primerica. "The compounding impact of inflation has left a deep mark on middle-income household finances," Cutts said. "Over the past few years, families have repeatedly underestimated the economy's impact on their finances, such as whether they would need to use their credit cards more frequently. That's why even as inflation wanes, middle-income households are feeling increasingly less confident in their financial situations."

Given the sharp increase in the price of necessities over the past two years, the burden of unexpected large expenses, and the ensuing financial stress these have caused, middle-income Americans' outlooks are now cautious.

However, the special report highlights that middle-income households should find themselves in a gradually improving financial condition in 2024 so long as inflation continues to decline, and wages continue to rise at a faster pace than the cost of necessities.

"The higher cost of living for an extended period of time is increasing the importance of key financial fundamentals for middle-income families," said Glenn J. Williams, CEO of Primerica. "This report highlights the importance of budgeting and seeking guidance from a financial professional, who can assist households as they navigate financial difficulties."

Key Findings

- **Middle-income Americans' perception of their personal finances declined over the past year.** About 48% of FSM™ survey respondents rated their personal finances as “excellent” or “good” in Q3 2023, a slight decline from 50% in the previous survey, and a significant decline from 53% in 2022.
- **Most are cutting back on spending, turning to credit cards or depleting savings to adjust to higher prices:** About 72% of respondents in the Q3 2023 survey stated their incomes were not keeping up with inflation. Among those, about 74% said they were cutting back on nonessential purchases like entertainment or restaurant meals, 84% were curtailing or stopping saving for the future or dipping into their savings to cover the deficit, and 28% said they were using their credit cards more frequently.
- **Middle-income households felt pinch of inflation early in pandemic.** While wages rose faster than inflation in 2020 and 2021, respondents began indicating their income was falling behind the cost of living by the Q4 2020 survey. Shortly after, inflation's rapid rise started to outpace income gains, and the Consumer Price Index (CPI) hit a 42-year high for year-over-year growth of 9.1% in June 2022.
- **Many miscalculated the economy's impact on their finances.** For example, middle-income Americans have significantly underestimated their need to increase credit card usage. Since the survey's launch in 2020, the deviation has averaged almost 25 percentage points, with households increasingly using credit cards more than planned. In addition, 80% of the respondents in the Q3 2023 survey indicated rising gas and grocery prices have influenced their ability to stick to a budget. On a more positive note, nearly 9% of respondents in Q2 2023 planned to add to their savings account and 26% reported doing so.

About Primerica's Financial Security Monitor

The Financial Security Monitor is a quarterly national survey to monitor the financial health of middle-income households. Using Dynamic Online Sampling, Change Research polls more than 1,000 adults nationwide with incomes between \$30,000 and \$130,000. Post-stratification weights are made on gender, age, race, education, and Census region to reflect the population of these adults based on the five-year averages in the 2021 American Community Survey, published by the U.S. Census.

About the Primerica Household Budget Index™ (HBI™)

The Primerica Household Budget Index™ (HBI™) is constructed monthly on behalf of Primerica by its chief economic consultant Amy Crews Cutts, PhD, CBE®. The index measures the purchasing power of middle-income families with household incomes from \$30,000 to \$130,000 and is developed using data from the U.S. Bureau of Labor Statistics, the US Bureau of the Census, and the Federal Reserve Bank of Kansas City. The index looks at the cost of necessities including food, gas, utilities, and health care and earned income to track differences in inflation and wage growth.

The HBI™ is presented as a percentage. If the index is above 100%, the purchasing power of middle-income families is stronger than in the baseline period and they may have extra money left over at the end of the month that can be applied to things like entertainment, extra savings, or debt reduction. If it is under 100%, households may have to reduce overall spending to levels below budget, reduce their savings or increase debt to cover expenses.

The HBI™ uses January 2019 as its baseline. This point in time reflects a recent “normal” economic time prior to the COVID-19 pandemic.

About Primerica, Inc.

Primerica, Inc., headquartered in Duluth, GA, is a leading provider of financial products and services to middle-income households in North America. Independent licensed representatives educate Primerica clients about how to better prepare for a more secure financial future by assessing their needs and providing appropriate solutions through term life insurance, which we underwrite, and mutual funds, annuities and other financial products, which we distribute primarily on behalf of third parties. We insured over 5.7 million lives and had over 2.8 million client investment accounts on December 31, 2022. Primerica, through its insurance company subsidiaries, was the #3 issuer of Term Life insurance coverage in the United States and Canada in 2022. Primerica stock is included in the S&P MidCap 400 and the Russell 1000 stock indices and is traded on The New York Stock Exchange under the symbol “PRI”.

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