THE INFLATION HANGOVER: MIDDLE-INCOME AMERICANS BUILD RESILIENCE ON THE LONG ROAD TO RECOVERY

How the higher cost of living is reshaping daily life and why professional financial advice matters now more than ever.

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EXECUTIVE SUMMARY

Inflation is more than just an economic trend — it's a deeply personal experience that shapes how Americans feel about their financial security, their goals and their future. That's particularly the case for middle-income families, who juggle tight budgets, competing priorities and difficult financial choices. For these households, the past few years have left lasting marks on both their finances and their confidence.

Even as overall inflation has eased from its peak, middle-income families are living with an inflation hangover. Higher prices for essentials like groceries, gas and utilities continue to stretch budgets, making it harder to save, pay down debt or reach long-term goals. Yet amid these challenges, families are adapting, finding ways to regain control of their finances, reset expectations for what progress looks like and move forward with resilience. The road to recovery may feel slow, but it is not out of reach.

To better understand how middle-income families are navigating the current economic landscape, this report draws on Primerica's Financial Security Monitor™ (FSM™) survey and Household Budget Index™ (HBI™) data. The findings paint a more complete picture of the current reality families face and underscore the importance of professional guidance in uncertain times.

KEY TAKEAWAYS

- **A story of resilience:** Despite persistent financial pressure, middle-income Americans are making tough choices, shifting priorities and finding creative ways to stretch their budgets. From switching to lower-cost alternatives to delaying big milestones, families continue to adapt to today's economic realities.
- **The road to recovery is long — but not out of reach:** Since mid-2023, the cost of goods and services purchased by middle-income households has risen faster than overall inflation, and the cost of daily necessity items has risen even faster. While inflation has eased, adapting to the "new normal" of higher prices takes time — and it may be years before financial stability feels within reach again.
- **Financial professionals help families regain control:** Middle-income Americans who work with financial professionals report greater confidence and feel better prepared to navigate tough economic conditions. Such guidance can reduce stress, bring clarity to complex decisions and give households the structure they need to stay on track.

UNDERSTANDING MIDDLE-INCOME HOUSEHOLD FINANCES

Primerica's data-driven reports provide in-depth insights into this often-overlooked segment of American society. Together, these tools offer a clear picture of middle-income families' financial outlook — capturing both their day-to-day realities and their long-term confidence.

Financial Security Monitor™ Survey

A national, quarterly survey measuring changes in the financial perceptions of middle-income households, defined as those earning $30,000–$130,000.

Household Budget Index™ Data

A monthly metric that tracks the cost of everyday necessities against middle-income earnings to assess purchasing power.

THE UNEVEN BURDEN OF INFLATION

Inflation may be cooling, but for middle-income households the inflation hangover is far from over. The Consumer Price Index (CPI), released each month by the federal government, provides a useful benchmark but doesn't always reflect the reality that these families feel at the checkout line. That's because the cost of everyday necessities like groceries, gas and utilities takes up a greater share of middle-income budgets.

WHAT COUNTS AS A NECESSITY?

The core, and often volatile, expenses that middle-income families can't avoid and must budget for every month:

- **Food:** Groceries and essential household items
- **Gas:** The cost of fueling daily transportation
- **Auto insurance:** Coverage for vehicle ownership, key for getting to work
- **Utilities:** Electricity, heat, water and other household basic services
- **Health care:** Out-of-pocket medical expenses

Rising costs hit these essentials the hardest in recent years, creating a lingering inflation hangover for middle-income families.

From 2010 to 2019, inflation averaged 1.8% per year. That changed dramatically in the years that followed. In 2020, with the pandemic raging, annual inflation fell to just 1.3%, but then started surging. It averaged 7.2% in 2021 and rose to a year-over-year peak of 9.0% in June of 2022. Although it has fallen since then – averaging 2.9% in 2024 – middle-income families have continued to feel the impact of rising prices each year, even as the pace of such increases has slowed.

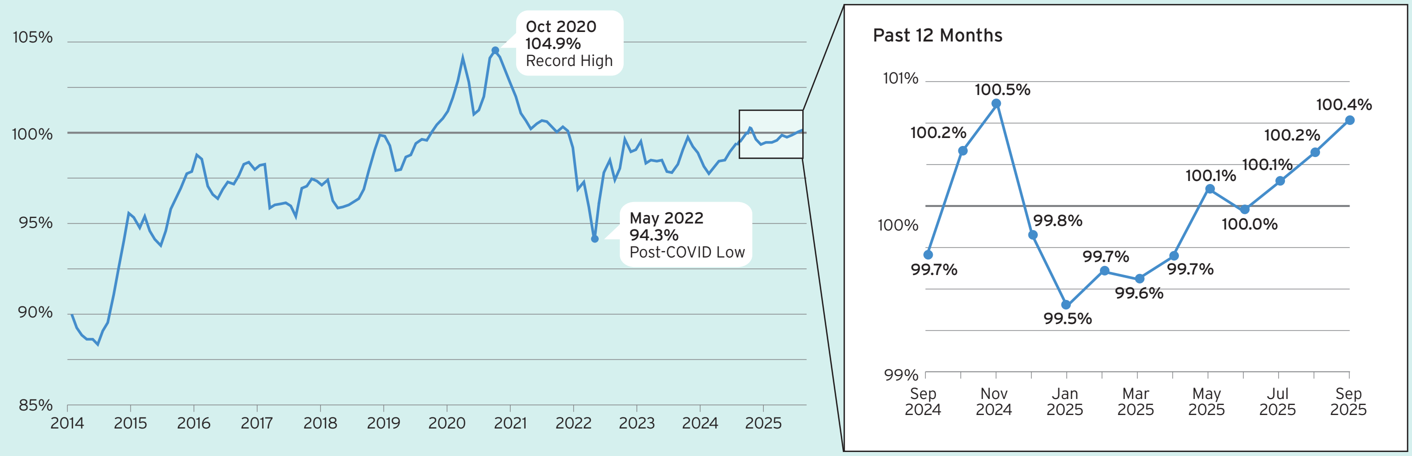
Primerica's Household Budget Index™ (HBI™) data confirms this gap. Since early 2021, the index has shown that costs for necessities like food, gas and utilities consistently outpace middle-income wage growth, leaving households with less room in their budgets. Overall, the cumulative cost of necessities has risen 32.7% since January 2021 – significantly higher than the 23.5% increase in middle-income wages in the same period. That means the financial pressure is hitting middle-income families harder and sticking around longer.

Still, numbers alone don't tell the full story. Official inflation measures often miss what families are really experiencing. Financial satisfaction is shaped more by individual perceptions of inflation than official averages. This reality shows up at the kitchen table. When prices rise, middle-income households don't just pay more, they switch to lower-cost alternatives, reduce quality or go without altogether.

These everyday adjustments don't appear in economic data, but they capture the lived reality of the inflation hangover. For many households, the challenge is not just higher prices – it's the erosion of financial momentum and the constant reminder that their money doesn't go as far as it used to.

HBI™ Data Shows Little Recent Progress on Households' Purchasing Power

January 2019 = 100%, NSA



Source: Primerica Household Budget Index™ data

THE EMOTIONAL AND FINANCIAL TOLL

For middle-income Americans, the inflation hangover is not an abstract economic trend – it's a constant presence. Over time, the strain of constantly adjusting, sacrificing and worrying takes a toll – including on mental health. Big milestones like buying a home, starting a family or retiring on time begin to feel out of reach. The stress of rising costs does more than disrupt spending – it impacts how families feel about their financial futures.

The effects show up clearly in the data. When asked whether they expected to be financially better off, worse off or about the same in the next year, respondents have become increasingly pessimistic over the past five years. In Q3 2020, 33% said they'd be better off, 17% said they'd be worse off and 40% said they'd be about the same. But in the latest survey from Q3 2025, just 21% believe they'll be better off, 34% believe they'll be worse off and 33% expect their situation to remain the same – a shift that underscores the ongoing strain of high prices and economic uncertainty.

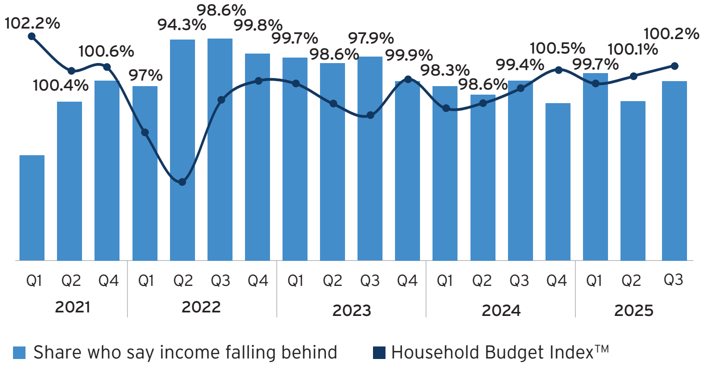
Given that trend, it's not surprising that a majority of respondents in the latest FSM™ survey chose "stressed" or "discouraged" when asked to describe their feelings about money and finances. However, those who work with a financial professional are less likely to feel this way and more likely to report feeling confident – at twice the rate of all respondents.

These emotional responses remain consistent even when the question is rephrased. The survey finds that inflation is the top stressor for middle-income Americans – even for those working with a financial professional. But beyond inflation, the picture changes: households with professional guidance report less stress about emergency costs, daily expenses, debt and monthly bills. They are also twice as likely to say that nothing is currently stressing them, highlighting how advice helps ease financial pressures. This underscores that professional guidance doesn't just influence financial decisions – it reshapes how families feel about their futures.

These feelings line up with HBI™ data. When the index drops – meaning the cost of necessities is rising faster than income – more families report their income is falling behind. When the index improves, fewer families feel that way. This close alignment shows that middle-income households have an accurate read on their financial reality: their perceptions reflect real economic pressure.

HBI™ Data Mirrors How Families Perceive Their Finances

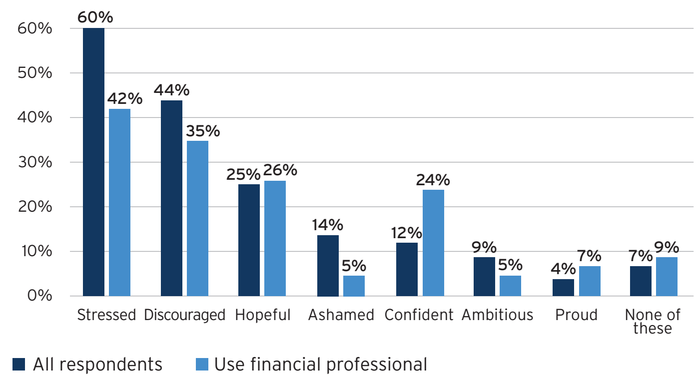
Share of survey respondents who say their income is falling behind the cost of living compared to HBI™ measure of household purchasing power.



Source: Primerica Financial Security Monitor™ survey and Household Budget Index™ data. HBI™ values match timing when each FSM™ survey was conducted.

How Families Feel About Their Finances

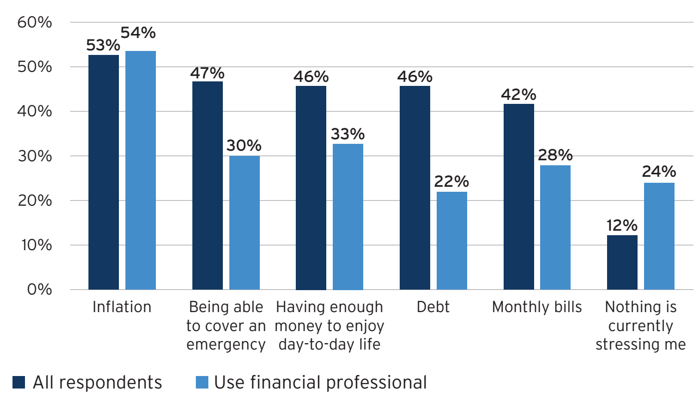
Which of the following words would you use to describe your current feelings about money and finances? Choose all that apply.



Source: Primerica Financial Security Monitor™ survey, Q3 2025

What Worries Familes Most About Their Finances

Which of the following are currently stressing you at the moment? Choose all that apply.



Source: Primerica Financial Security Monitor™ survey, Q3 2025

THE LASTING IMPACT ON FINANCIAL SECURITY

The inflation hangover doesn't just tighten day-to-day budgets – it chips away at the financial foundation families work hard to build. For households already balancing tight budgets, even modest increases in essential costs can force tough decisions: tapping savings, adding to credit card debt or delaying retirement investments.

The impact is cumulative. Postponing contributions to retirement accounts or scaling back savings doesn't just lose ground in the moment – it creates a widening gap that becomes harder to close over time. Even if wage growth does begin to outpace inflation, the hole left by years of higher costs can't be filled quickly.

The data underscores this reality. In early 2021, nearly 33% of respondents rated their finances as "not so good" or "poor." By late 2024 – after prices for essential goods had surged and later stabilized – that number peaked at about 55%, where it remains today. It's a reminder that inflation's impact lingers long after headlines shift. For many families, rebuilding financial security and savings takes time.

The strain shows up not just in how families feel, but in how they manage their money. Credit card behavior offers a clear example: from 2021 to today, the share of survey respondents who said they pay off their balances in full each month has declined significantly – from about 47% in Q1 2021 to 29% in Q3 2025 – even as inflation has slowed.

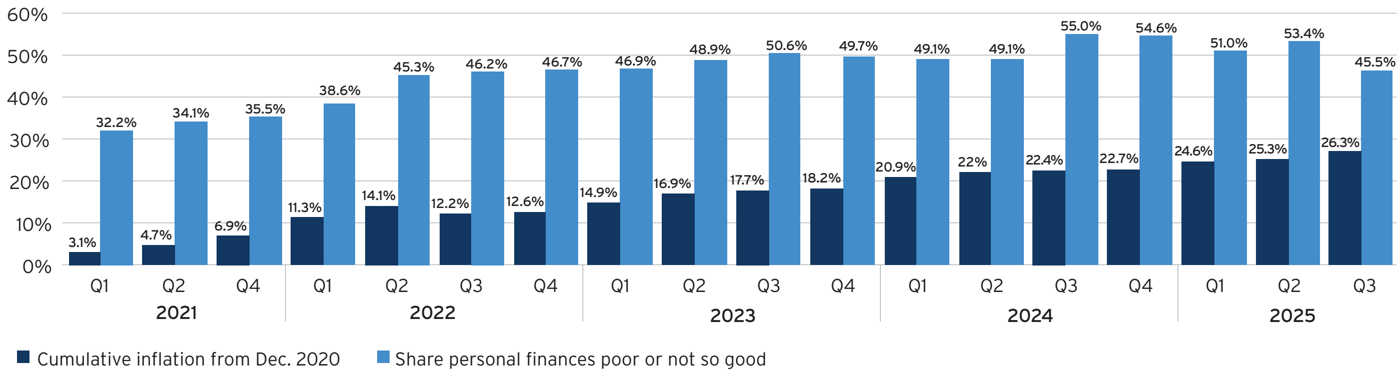
WHY FAMILIES STILL FEEL STUCK

Life really has gotten more expensive – especially when it comes to the necessities middle-income Americans rely on day after day and month after month. When inflation slows, it simply means prices aren't increasing as rapidly – not that they've decreased. This leads to frustration. Consumers feel like their paychecks don't go as far, and research shows that it takes time – years, in most cases – to adjust to the new normal.

However, once again, the story looks different for families who work with financial professionals. They are not only more likely to pay their credit cards off each month – 56% of respondents who use a financial professional compared to 29% of all respondents in Q3 2025 – but also more likely to have an emergency fund – 85% compared to 58% in Q3 2025. It's clear that sound guidance helps these households feel less like they are falling behind and more like they are staying on track.

Inflation Erodes Financial Security

Share of middle-income households who rate their personal finances as "poor" or "not so good" compared to cumulative all-items inflation for middle-income households since 2021.



***Source:** Primerica FInancial Security Monitor™ survey; Middle-income inflation rate based on author's calculations from the Consumer Price Index and Consumer Expenditure Surveys from the U.S. Bureau of Labor Statistics.*

THE VALUE OF PROFESSIONAL ADVICE

The data tells a consistent story: families who work with financial professionals feel better prepared, more confident and more in control of their financial futures. Even when the data shows increased pressure on middle-income budgets, these households report greater confidence and less stress – suggesting that guidance and a financial game plan can soften the impact of tough economic conditions.

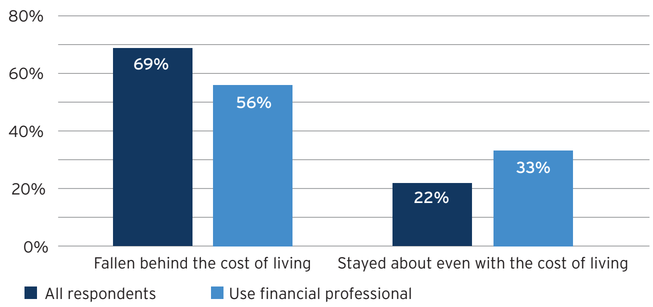
It's a difference that shows up throughout the FSM™ survey, including in families' view of their income compared with the cost of living. Overall, a majority of middle-income Americans say their income has fallen behind. But those who work with a financial professional are less likely to feel this way – and more likely to say their income has kept pace. This reinforces how professional guidance helps households feel steadier and more resilient, even in the face of uncontrollable economic pressures.

The gap doesn't stop there. The survey also finds clear differences in how families rate their overall financial condition. Those with professional guidance are more likely to describe their finances as "excellent" or "good," while those without guidance are more likely to rate their situation negatively. This underscores that professional advice shapes not only how families manage money, but how confident they feel about where they stand.

Taken together, these differences highlight how professional advice provides clarity during uncertainty, reduces stress and builds confidence. As middle-income families continue to manage the inflation hangover, this guidance is more important than ever. With persistence, resilience and the support of trusted professionals, today's financial challenges can become the foundation for tomorrow's financial security.

Families With Professional Guidance Less Likely to Feel Left Behind

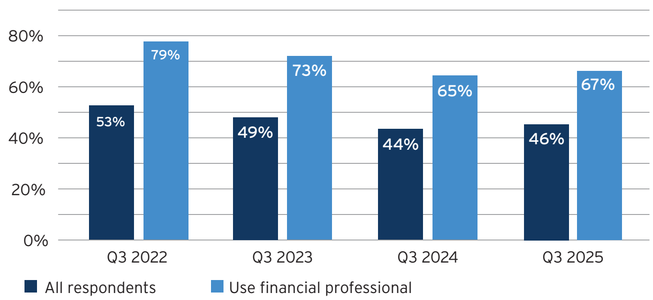
When thinking about the last three months, would you say your income has:



Source: Primerica Financial Security Monitor™ survey, Q3 2025; Numbers don't add up to 100% because chart doesn't show "not sure" and "gone up faster" than cost of living data.

Guidance Improves How Families View Their Financial Situation

Percent of respondents who rate the condition of their personal finances as "excellent" or "good":



Source: Primerica Financial Security Monitor™ survey

CONCLUSION

The inflation hangover has reshaped what financial security means for middle-income families. Even as inflation eases, the impact of years of higher prices continues to ripple through household budgets, savings and future plans. Many families are still catching up – not because they've mismanaged their wallets, but because the cost of living rose faster than their paychecks.

Yet amid these pressures, resilience remains a defining trait of these households. Families are rethinking spending, setting new priorities and finding ways to adapt. Professional guidance can help accelerate progress, but so can the everyday decisions families make to stay focused, plan ahead and keep perspective.

With a renewed sense of confidence – built on both knowledge and experience – middle-income Americans can navigate the long road to recovery and rebuild a foundation for lasting financial security.

About the Author

Dr. Amy Crews Cutts is an internationally recognized economist and president of AC Cutts & Associates LLC, an economic and policy consulting firm. As an economic consultant to Primerica, she is a passionate advocate for helping families build financial security and improving access to affordable credit. She is a Certified Business Economist® and a regular contributor to the Wall Street Journal and Blue Chip Economic Indicators surveys.