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More Americans Struggle with Personal Finances

Some 73% of adults were "doing at least OK financially" as of October, down five percentage points from a year earlier and among the lowest levels since 2016.

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By Reade Pickert, Alex Tanzi – Bloomberg News (via TNS).

Increasing numbers of Americans say they are struggling with their finances, according to a new Federal Reserve report revealing the toll that inflation has taken on U.S. households over the past year.

Some 73% of adults were “doing at least OK financially” as of October, down five percentage points from a year earlier and among the lowest levels since 2016, the central bank’s annual Survey of Household Economics and Decisionmaking, published Monday, showed.

The survey examines the financial situation of more than 11,000 adults and their families in the U.S. The inflation rate surged to a 40-year high in mid-2022, squeezing American households to a degree that hadn’t been seen since the 1980s. Since then, inflation has receded, though it remains well above pre-pandemic pace.

“Overall, the report shows that higher prices have negatively affected most households and overall financial well-being declined over the prior year, though workers continued to benefit from a strong labor market,” the Fed said in a statement accompanying the release.

Nearly a quarter of respondents said that while their spending had increased in 2022, their incomes had not. Roughly two-thirds said they stopped using a product or used less of it because of higher prices, while 51% noted they reduced their savings. About 28% reported going without some form of medical care in the last year because they couldn’t afford it.

All racial and ethnic groups polled in the survey saw a decline in financial well-being from a year earlier. And among income groups, those earning \$25,000-\$99,999 saw the largest declines in well-being. Only 65% of adults identifying as LGBTQ+ said they were doing at least OK financially, well below the 75% share for those not identifying as LGBTQ+. For people with disabilities, the share doing at least okay was just 56%.

A clear silver lining from Monday’s report was the benefits of a strong labor market. The unemployment rate in April fell to 3.4% and wage growth remained elevated, according to monthly Labor Department figures. A third of adults in the survey said they received a raise or promotion in the prior year, up 3 percentage points from 2021. And among those who asked for a raise last year, 70% of respondents said they had received one.

Still, only 63% of adults surveyed said they would cover an unexpected \$400 expense using cash or its equivalent, down from 68% the year before. Many noted they would lean on credit cards or family members to manage such a bill. About 13% said they wouldn't be able to cover such an expense by any means.

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