Feelings of Financial Insecurity in America Soar to Record High, Even as Consumer Anxiety About the Economy and Recession Recede

Northwestern Mutual's 2024 Planning & Progress Study finds just over half of U.S. adults expect recession this year, a significant drop from two-thirds who said the same in 2023

One-third (33%) of Americans say they do not feel financially secure – the highest measure of financial insecurity recorded in the study's history

Concerns about inflation continue to weigh heavy – more than half of U.S. adults expect inflation to increase in 2024; and only 9% say their household income is outpacing it

Steep, twenty-point decline in financial discipline from pandemic onset could leave 'YOLO' dreamers exposed

MILWAUKEE, March 11, 2024 /PRNewswire/ -- Americans have a rosier view of the direction of the U.S. economy, and yet, their feelings of financial insecurity have hit a record high. This is among the topline findings from Northwestern Mutual's newly released 2024 Planning & Progress Study, the company's proprietary research series that explores Americans' attitudes, behaviors and perspectives across a broad set of issues impacting their long-term financial security.

Study: Americans have rosier view of U.S. economy, but their feelings of financial insecurity have hit a record high.

According to the new research, just over half (54%) of U.S. adults expectthe United States will enter a recession this year. While still a majority, it's a substantial drop from the two-thirds (67%) who predicted a recession last year. These more positive economic expectations are consistent across generations, with double-digit increases in optimism among Gen Z, Millennials, Gen X and Boomers+ alike.

Expectations that the economy will enter into a recession this year

	Gen Z	Millennials	Gen X	Boomers+
2024	62 %	59 %	53 %	48 %
2023	74 %	72 %	70 %	60 %
Difference	12 %	13 %	17 %	12 %

At the same time, Americans' feelings of personal financial insecurity are on the rise. One-third (33%) of adults say they do not feel financially secure. This represents a jump from 27% who said the same last year and is the highest level of insecurity recorded in the study's history. The Northwestern Mutual Planning & Progress Study started in 2009, and began measuring financial security using its current methodology in 2012.

"'Financial shock fatigue' and fragility are holding people back from positive feelings about their own financial security," said Christian Mitchell, chief customer officer at Northwestern Mutual. "Despite the growing economy, Americans have had to endure one financial disruption after another over the last several years, and it's hard to feel positive when you don't know what's around the corner. The pace and scale of the financial uncertainty around them is leading to greater feelings of anxiety, analysis paralysis and an overriding sense that they're always reacting instead of controlling their own destiny."

Inflation is the clear driver underpinning that insecurity. Despite dropping substantially from its peak in 2022, inflation rates continue to weigh heavy on Americans' minds. More than half (54%) of U.S. adults expect inflation to increase this year, and only 9% say their household income is outpacing it. By far, inflation is considered the greatest obstacle to financial security, coming in well ahead of factors such as lack of savings and debt.

"Many didn't plan financially for the costs of housing, dining out, or visiting a doctor to outpace the increases in their paychecks, and they're in react mode – once again," Mitchell said.

Expectations for inflation in 2024	U.S. Adults
Increase	54 %
Decrease	18 %
Stay the same	28 %

Household income vs. inflation	U.S. Adults
Growing slower	52 %
On pace	30 %
Growing faster	9 %
Not sure	9 %

Greatest obstacles to financial security	U.S. Adults
Inflation	51 %
The economy	43 %
Lack of savings	31 %
Personal debt	27 %
Healthcare costs	22 %

Government Dysfunction and the Presidential Election are Among People's Top Concerns for 2024

Beyond inflation, Americans are particularly worried about the impact that decisions – or indecision – by government officials could have on their financial well-being this year. When asked to rank the concerns that could impact their finances the most in 2024, "inflation" (57%) topped the list but "government dysfunction" (34%) and "the U.S. Presidential Election" (33%) ranked second and third, coming in ahead of longer-term worries such as "a potential recession" (24%), "interest rates" (24%), "market volatility" (15%) and "geopolitical conflicts" (14%).

"Gridlock, divergent visions and persistent threats of government shutdowns have Americans concerned about our leaders' ability to come together and solve large problems," said Mitchell. "Increasingly, people are concerned that they and their finances may be caught in the middle of these arguments. It will be important for investors to avoid acting emotionally and maintain a long-term view."

Playing Defense

Given current market and economic conditions, 42% of U.S. adults feel 2024 is a year to prioritize "playing defense" with their savings and investments (managing risk to protect their assets) vs. 29% who feel it's a year to be "playing offense" (capitalizing on opportunities to grow their assets); and 29% are unsure.

The gameplan for those who favor playing defense is mostly focused on cutting costs (56%) and building savings (51%). Younger generations score higher on adding a side hustle (46% for Gen Z and 43% for Millennials). About one in six Millennials (16%) said that they would get a financial advisor, while 15% said they would buy life insurance or increase life insurance coverage. Among high-net-worth individuals – people with more than $1 million in investable assets – higher numbers reported moving into safe, high-yielding instruments like money market funds (40%).

"People are recognizing that building wealth isn't enough – they want to protect what they've already created, too," Mitchell said. "This year, more Americans say they want to play better defense so the unexpected surprises that arise aren't so disruptive to their financial lives. There are still great opportunities to save and invest in this environment, so Americans shouldn't feel limited by a choice between protection and prosperity – they can and should choose both."

The gameplan for those who favor playing offense is mostly focused on investing more in the stock market (42%), particularly for Gen Z (52%) and the high-net worth (50%). About half as many Americans indicated interest in investing more in real estate (21%), high-yield bonds (21%), alternative assets like hedge funds and private equity (19%), and speculative investments like cryptocurrencies (17%). Just 9% expect to invest more in gold or silver.

Discipline in Decline

Intentions don't always translate to action when it comes to financial planning. In fact, the research shows a continued decline among Americans who consider themselves "disciplined" financial planners – from 65% in the post-Covid 2020 study to 45% in 2024.

U.S. Adults who consider themselves "disciplined" financial planners	
2020	65 %
2021	60 %
2022	59 %
2023	50 %
2024	45 %

"During the most acute period of the pandemic, we saw a distinct rise in financial discipline, but in the ensuing years, there's been drift," said Mitchell. "My main concern is those with YOLO dreams colliding into a recession reality. At a time when people are feeling unstable about their financial futures, we're encouraging our clients to prioritize planning and discipline like it was 2020 again."

People are Still Spending

Despite high levels of financial insecurity, many Americans don't expect to largely pull back their spending on discretionary things like restaurants, vacations and entertainment in 2024. The research finds 59% of U.S. adults say they'll either spend the same or more on these purchases year-over-year, while just under four in 10 (37%) say they'll spend less. Among generations, Gen Z is the most likely to say they'll increase non-essential spending and Gen X is the most likely to say they'll be tightening their belts.

Discretionary spending in 2024 vs. 2023	U.S. Adults	Gen Z	Millennials	Gen X	Boomers+
More	26 %	36 %	28 %	24 %	20 %
The same	33 %	25 %	30 %	31 %	42 %
Less	37 %	35 %	38 %	41 %	35 %
Unsure	4 %	5 %	4 %	4 %	4 %

"Americans under the age of 40 have seen their wealth rise at a faster rate than other age groups since the pandemic era," said Mitchell. "From stimulus checks to student loan payment pauses to automatic enrollment in retirement programs, many in these generations have felt comfortable with spending and investing. But as uncertainty levels rise, there are signs that Americans up and down the age spectrum are hunkering down."

In forthcoming data sets, Northwestern Mutual's 2024 Planning & Progress Study will explore wide-ranging issues facing Americans spanning savings and debt, work and retirement, planning, priorities and more.

About The 2024 Northwestern Mutual Planning & Progress Study

The 2024 Planning & Progress Study was conducted by The Harris Poll on behalf of Northwestern Mutual among 4,588 U.S. adults aged 18 or older. The survey was conducted online between January 3 and January 17, 2024. Data are weighted where necessary by age, gender, race/ethnicity, region, education, marital status, household size, household income, and propensity to be online to bring them in line with their actual proportions in the population. A complete survey methodology is available.

About Northwestern Mutual

Northwestern Mutual has been helping people and businesses achieve financial security for more than 165 years. Through a

comprehensive planning approach, Northwestern Mutual combines the expertise of its financial professionals with a personalized digital experience and industry-leading products to help its clients plan for what's most important. With over $627 billion of total assets[i] being managed across the company's institutional portfolio as well as retail investment client portfolios, more than $36 billion in revenues, and $2.3 trillion worth of life insurance protection in force, Northwestern Mutual delivers financial security to more than five million people with life, disability income and long-term care insurance, annuities, and brokerage and advisory services. Northwestern Mutual ranked 111 on the 2023 *FORTUNE* 500 and was recognized by FORTUNE® as one of the "World's Most Admired" life insurance companies in 2024.

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