

Inflation is Americans' Top Financial Concern and Most Say Their Income is Not Keeping Up, According to Northwestern Mutual's 2025 Planning & Progress Study

Major Millennial milestone: College loans no longer among the top three sources of debt, but medical debt emerges as new and formidable financial foe

'Spend Z': 40% of Gen Z expect to spend more on non-essential purchases this year than last – well ahead of other generations

Fenced out: The majority of Americans who don't own a home say they'll never be able to afford one. Gen Z in particular feels priced out.

Epidemic of insecurity endures: Feelings of financial insecurity in America remain high

A silver lining: Fears of a U.S. recession recede; and financial discipline has improved, reversing course on a steep, five-year decline

Less than half of U.S. adults believe the American Dream is attainable for most

MILWAUKEE, March 10, 2025 /PRNewswire/ -- Inflation continues to sting in America, with significant numbers of U.S. adults saying elevated prices in the grocery aisles, at the gas pump and elsewhere are having a large impact on their finances. Meanwhile, among people who don't own a home, the majority say homeownership will never be affordable – not now, not ever.

At the same time, some financial trends, behaviors and concerns among Americans have shifted in a positive direction since last year. People are feeling more optimistic that the United States will avoid recession and they're reporting greater financial discipline, reversing a five-year decline. And for Millennials, the burden of college debt appears to be receding – but a new financial foe is taking its place: medical debt.

These are among the topline findings from [Northwestern Mutual's newly released 2025 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.

Inflation is the #1 financial concern and Americans say their household incomes are not keeping up

Northwestern Mutual's 2025 Planning & Progress Study finds that half (51%) of U.S. adults believe inflation will increase in 2025, more than double the 25% who expect inflation to decrease and the 24% who expect it to stay the same.

Furthermore, two-thirds (65%) of U.S. adults say inflation is the dominant concern that could impact their finances this year, and more than four in 10 (44%) rank inflation as the #1 obstacle to achieving financial security.

For the second year in a row, more than half (52%) of Americans believe their household income is growing slower than inflation. That's more than four times greater than the 11% who say their income is growing faster than inflation, while three in ten (28%) believe their income is on pace with inflation.

Inflation is impacting everyone, including the wealthy. Only 1 in 5 (19%) millionaires in America – with more than \$1 million in investable assets – say their income is growing faster than inflation. Four in ten (40%) millionaires say it's growing slower and 38% say it's growing the same as inflation.

Expectations for inflation in 2025	U.S. Adults	Household income vs. inflation	U.S. Adults	Top concerns regarding factors that could impact finances in 2025	U.S. Adults
Increase	51 %	Growing slower	52 %	Inflation	65 %
Decrease	25 %	On pace	28 %	Taxes	37 %

Stay the same	24 %
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Growing faster	11 %
Not sure	9 %

Housing costs	32 %
Interest rates	27 %
Potential recession	21 %

Greatest obstacles to achieving financial security	U.S. Adults
Inflation	44 %
Lack of savings	25 %
The economy	22 %
Personal debt	22 %
Taxes	22 %

Feeling the sting

Inflation is hitting people everywhere – from the grocery aisle, to the gas pump, to their childcare expenses and more.

A large majority (84%) of Americans say they have experienced elevated grocery costs in the last three months. Nearly seven in ten (68%) experienced elevated utility costs, while 60% experienced elevated gas costs, 52% experienced elevated housing expenses and 15% experienced elevated childcare expenses. When considering responses solely from Gen Z and Millennial parents, the childcare price sting percentage jumps to 36%.

Among those who have experienced elevated costs, many say they are having a "large impact" on their finances.

Elevated costs	Large impact on finances
Childcare expenses	48 %
Housing expenses	45 %
Groceries	43 %
Utilities (water, electric, phone, internet, etc.)	34 %
Gas	33 %

"Houses, kids, groceries and gas: all of these higher prices are having an outsized impact on people's budgets, and most Americans believe these challenges will grow in 2025," said John Roberts, chief field officer at Northwestern Mutual. "Economists often talk about how inflation is 'sticky,' meaning it takes time to reverse a broad economic cycle. Our study findings show that inflation is sticky at the individual level too – it remains top of mind for people, and they get reminded of it often in their daily lives. Americans can adapt, but it requires financial planning and acting intentionally now, to enjoy today without sacrificing tomorrow's goals."

Major Millennial milestone: Medical debt surpasses college loans in list of top sources of debt

For the first time in the history of the Northwestern Mutual Planning & Progress Study, when Millennials were asked for their top

sources of debt, college debt did not appear in their top three. Instead, a new financial foe has emerged: medical debt.

Across all Americans the primary source of non-mortgage debt by far is credit cards, accounting for more than double the #2 source (car loans) and nearly quadruple the #3 source (medical debt). Notably, medical debt replaced personal student debt in the top three this year with every generation except for Gen Z ranking it as a bigger source of debt than personal education loans.

Main Sources of Debt	U.S. Adults	Gen Z	Millennials	Gen X	Boomers+
Credit card bills	31 %	22 %	36 %	35 %	29 %
Car loan	13 %	11 %	13 %	14 %	13 %
Medical debt	8 %	8 %	11 %	7 %	6 %
Personal education loans	7 %	16 %	10 %	5 %	0 %
Educational expenses for children/family members	4 %	5 %	5 %	6 %	2 %
Caring for loved ones	4 %	5 %	5 %	6 %	2 %

The study also found that for the second year in a row, 64% of adults say they prioritize paying down debt versus 36% who prioritize saving. This continues a three-year trend whereby U.S adults are focusing on debt with greater urgency than saving.

U.S Adults	2022	2023	2024	2025
Prioritize saving money	43 %	39 %	36 %	36 %
Prioritize paying down debt	57 %	61 %	64 %	64 %

"For Millennials especially it's interesting to see medical debt bypass personal education loans as a top source of debt," said Roberts. "A wide range of factors are at play. More Millennials are at an age when they've been paying down college debt but are starting to accrue medical debt. We've also seen growing urgency toward paying down debt in recent years – including student loans. And of course, many may have benefitted from recent college loan forgiveness initiatives. The emergence of medical debt demonstrates the importance of insurance as part of a holistic financial plan for financial security. A pronounced illness or injury can have a sudden and significant impact on a person's financial life – including younger generations. Disability insurance can help to ensure a person's most important asset – their earning power – remains protected in a time of adversity."

Americans' non-mortgage personal debt in 2025 came down from last year. Among those who carry personal debt, the average amount people owe is \$21,500 – down from \$22,713 in 2024 and a 19% decrease from 2020 debt levels.

Americans' Personal Debt, Exclusive of Mortgages	
2025	\$21,500
2024	\$22,713
2023	\$21,800
2022	\$22,354

2021	\$23,325
2020	\$26,621

'Spend Z'

Despite concerns about college loans and credit card debt, Gen Z stands out among generations for their plans to spend in 2025.

The majority of U.S. adults expect to spend the same (34%) or more (29%) on non-essential discretionary purchases this year compared to last year, with one-third (34%) expecting to spend less.

Gen Z, however, has bigger spending plans in mind – 39% expect to spend more in 2025 than they did in 2024, well ahead of other generations.

Discretionary spending in 2025 vs. 2024	U.S. Adults	Gen Z	Millennials	Gen X	Boomers+
More	29 %	39 %	35 %	24 %	20 %
The same	34 %	26 %	28 %	35 %	44 %
Less	34 %	30 %	32 %	38 %	33 %
Unsure	3 %	5 %	5 %	3 %	4 %

The good news, however, is that Gen Z is also the most likely generation to report that their income is growing faster or on par with inflation.

Is your household income growing faster, slower or is it on pace with inflation?	U.S. Adults	Gen Z	Millennials	Gen X	Boomers+
Faster	11 %	17 %	14 %	10 %	5 %
Slower	52 %	40 %	50 %	56 %	58 %
On pace	28 %	28 %	28 %	26 %	31 %
Not sure	9 %	15 %	8 %	8 %	6 %

"Spending money and enjoying life can feel great if it's part of a financial plan," said Roberts. "But spending money without planning for risks or for the future can create even more anxiety in people's lives. This is where a trusted financial advisor can make a real difference. Advisors help clients identify their blind spots and opportunities and instill them with confidence – knowing they are making good decisions for today and tomorrow."

Home ownership feels out of reach for many Americans, and younger generations feel priced out

Among Americans who are not currently homeowners, over half (53%) say that owning a home will never be financially affordable – now or in the future.

Among generations, non-homeowner Millennials (57%) are the most likely to say that owning a home is not an affordable goal,

followed by Boomers+ (51%), and Gen X (52%). Non-homeowner Gen Z'ers (50%) indicate the most optimism that, someday, they'll be able to afford a home.

When digging into the reasons why non-homeowners feel that owning a home is not an affordable goal, however, the study reveals that Gen Z and Millennials have some financial obstacles to overcome. Given the current interest rate environment and the competitive housing market, the youngest U.S. adults feel priced out of owning a home.

Reasons why non-homeowners think owning a home is not an affordable goal	U.S. Adults	Gen Z	Millennials
I don't have enough saved for a down payment	64 %	70 %	58 %
Mortgage rates are too high	48 %	57 %	48 %
The housing market is too competitive and I am therefore priced out	43 %	54 %	37 %

"When it comes to whether people believe they can afford to own a home, age is a big factor," said Roberts. "Gen Zer's are still young and have more time on their side to get to a place where home ownership feels attainable. So, while it may feel out of reach now, they are hopeful that could change. Older people who have gone longer without owning a home are understandably going to feel less optimistic. For Americans of all ages, the best answer for financial worries starts with a conversation about planning and action. A comprehensive financial plan can be the key – helping people open doors to home ownership, retirement and other priorities in life."

Recession fears recede as financial discipline improves

While concerns over inflation and home ownership weigh on people's minds, the study also reveals some bright spots in how people are feeling about the U.S. economy and their personal financial situations.

Expectations that the U.S. economy will enter into a recession over the next year continue to decline – from 67% of U.S. adults believing the country would enter recession in 2023, to 54% in 2024 to 48% this year. In particular, older adults are feeling better about the direction of the U.S. economy, whereas the majority of younger people still expect recession is coming.

Expectations that the economy will enter into a recession in the next year					
	U.S. Adults	Gen Z	Millennials	Gen X	Boomers+
2025	48 %	62 %	56 %	45 %	35 %
2024	54 %	62 %	59 %	53 %	48 %
2023	67 %	74 %	72 %	70 %	60 %

The study finds that just over four in ten (44%) U.S. adults indicate they feel financially secure, which is a slight increase from the 41% who said the same last year but remains lower than the 50% recorded in 2023.

Meanwhile, three in ten (30%) Americans say they do not feel financially secure. This is a modest improvement over the 33% who said the same last year. But notably, last year's number represented the highest level of financial 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.

Americans have improved their financial discipline year-over-year. Today, half (49%) of U.S. adults consider themselves to be 'disciplined planners.' This is an improvement over the 45% who said the same last year, and reverses what was a steep five-year decline in financial discipline going back to 2020.

U.S Adults who consider themselves "disciplined" financial planners	
2020	65 %
2021	60 %
2022	59 %
2023	50 %
2024	45 %
2025	49 %

Gen Z (52%) and Millennials (50%) consider themselves more disciplined than Gen X (47%) and Boomers+ (47%). American millionaires, Black/African Americans and Latino Americans also stand out for their financial discipline.

2025	Consider myself a "disciplined" planner	Consider myself an "undisciplined" planner
All	49 %	51 %
Gen Z	52 %	48 %
Millennials	50 %	50 %
Gen X	47 %	53 %
Boomers+	47 %	53 %
Millionaires	76 %	24 %
Black/African Americans	53 %	47 %
Latino Americans	52 %	48 %
White Americans	46 %	54 %

"Financial insecurity continues to be an epidemic in America," said Roberts. "While the improvement in discipline is encouraging, we know that there are more than 100 million Americans who are uninsured or underinsured. We also know the gap between people's retirement savings and their goals is significant. Now is the time for people to act to improve their own money habits and financial plans. Our industry needs to act, too – growing the number of advisors who can provide trusted advice so we can all help more Americans build financial security."

Belief in the American Dream is low... and possibly changing

Just over half of U.S. adults (53%) believe the American Dream is alive and well, and less than half (48%) believe it is attainable for most Americans. People are more optimistic about their personal situations, with 68% considering the American Dream attainable for themselves.

But there is some evidence the vision of the American Dream is shifting. While nearly three-quarters of adults (72%) say that home ownership is essential for building wealth, two-thirds (65%) believe it is possible to achieve financial security without owning a home. For Gen Z, the number is lower – 59%.

"In 2025, Americans are redefining the American Dream and blazing new trails to reach it," said Roberts. "In fact, for some, the path to building long-term wealth may lean more on the stock market than the housing market. No matter which path to the dream people access, it's important to remember they don't have to go it alone. A financial advisor can be a great guide, helping people build a personalized roadmap of their own to financial security."

About The 2025 Northwestern Mutual Planning & Progress Study

The 2025 Planning & Progress Study was conducted by [The Harris Poll](#) on behalf of Northwestern Mutual among 4,626 U.S. adults aged 18 or older. The survey was conducted online between January 2 and January 19, 2025. 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

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