Financial Health Frontiers

Shaping the Future of Financial Health

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About Financial Health Frontiers

Supported by the Citi Foundation, Financial Health Frontiers is an ambitious initiative that works with stakeholders to envision needs, challenges, and opportunities for the next era of financial health solutions. Through collaboration with visionary experts and leaders, the Frontiers initiative asks:

- ***What are the trends that will most influence financial health over the next generation?***
- ***How can we harness them for greater and more equitable financial health?***
- ***Who is not at the table now, but has a critical stake in the financial health movement?***

In this initial publication, we look back at the evolution of the financial health field over the past 20 years, understand successes and challenges, and explore critical headwinds and tailwinds that will shape financial health in the years to come. Future publications will explore opportunities to increase financial health broadly and equitably.

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Executive Summary

Twenty years ago, a movement was launched, aiming to address a persistent problem: How can we bank the unbanked? Many households lacked bank accounts, forcing them to rely on costly alternative financial services and face significant barriers to accumulating and safeguarding wealth. Advocates, financial institutions, local governments, regulators, and more joined forces to address this challenge, and today, the proportion of households who are unbanked has dropped dramatically.

Yet along the way, our understanding of the challenge itself changed. Over the years, we have gained a far more nuanced understanding of people's economic lives. While bank accounts are important, individuals need much more to be "financially healthy" – that is, to spend, save, borrow, and plan in ways that enable them to be resilient and pursue opportunities. At the same time, issues like wealth inequity, the country's changing demographics, a warming planet, and a shrinking middle class have come to the fore, demanding holistic action from a variety of sectors and industries. Meanwhile, technology has revolutionized the way we live, work, and bank, first through the internet and then mobile phones, offering great opportunity but also new risks.

This means the challenge for the next 20 years goes far beyond improving access to financial services. How can we harness trends that will impact our lives in the future and create sustainable financial security for more people? And, importantly, who else needs to be at the table to explore solutions?

In this report, the Financial Health Network looks back at the trends that have shaped the financial health movement to date and looks ahead to several trends that will influence the financial lives of Americans in the next 20 years. In brief vignettes, we identify numerous trends – technology, climate change, an aging population, increasing racial diversity, and the evolving nature of work – and what they might mean for financial health. All of these issues are interrelated and cannot be addressed in isolation. Future reports in this series will explore key issues in further depth, examining the risks and opportunities – and identifying what a broad variety of stakeholders can do to take action.

Only 30% of Americans today are Financially Healthy.[1] Expanding financial health in the United States would be a massive challenge at any moment, but perhaps especially so in this turbulent, uncertain time, when the country is polarized and facing enormous headwinds. At the same time, financial health has never been more important; left unchecked, issues of inequity and financial precarity are likely to be exacerbated, with implications not only for individuals' financial well-being but also the country's overall stability. With concerted effort, however, there are also great opportunities to more equitably grow financial security for more families, building on two decades of work across our movement to achieve a shared goal: expanding financial health in America.

[1] Kennan Cepa, Wanjira Chege, Necati Celik, Andrew Warren, & Riya Patil, "Financial Health Pulse® 2023 U.S. Trends Report," Financial Health Network, September 2023.

Contents

About Financial Health Frontiers **2**
Acknowledgements **2**
Executive Summary **4**
Introduction **6**
The Origins of the Financial Health Movement **7**
Evolution of the Landscape **7**
Macroeconomic Events 9
Going Beyond Banked 10
Inequity and the Racial Wealth Divide 12
Cost of Living and Rising Debt 14
Technology 16
The Financial Health Movement Today **17**
Our Progress and Plans for More 19
Looking Toward the Future: Headwinds and Tailwinds Ahead **19**
Technology (Again) 19
Climate Change 21
Demographic Shifts 23
The Future of the Workplace 28
Building on Our Foundation for Greater Financial Health **30**
Appendix **32**

Introduction

In many ways, the world has become unrecognizable since the turn of the century. When Y2K occurred, only about half of American adults (52%) used the internet, the iPhone hadn't been invented, and the median sales price of a home was $165,300. Today, 95% of American adults are online, 90% own a smartphone, and the median home sales price tops $400,000.[2,3,4]

In other ways, though, the world has remained stubbornly the same. American society is still characterized by deep inequities, with vast divides between the "haves" and the "have-nots." Many families are struggling to make ends meet amid high costs of living and uncertain futures. At the same time, we are encountering new and unprecedented changes, ranging from a warming climate and more extreme weather to new technologies that are poised to revolutionize the way we work and live.

Over the last 20 years, the concept of "financial health" – one's ability to manage day-to-day expenses, be resilient in the face of shocks, and achieve long-term goals – has emerged and taken hold. Going beyond narrow measures like income or credit scores, financial health acknowledges that people's finances are complex and nuanced and that many face persistent, systemic barriers that contribute to their vulnerability. Today, a whole universe of businesses, policymakers, and advocates are working to strengthen Americans' collective financial health, innovating across sectors and developing critical infrastructure for measuring and addressing financial health outcomes. Despite all this progress, **only 30% of Americans are Financially Healthy**.[5]

We believe that America is on the precipice of several critical trends that, if harnessed, could foster greater, more equitable financial health. However, without concerted action, those same trends could also result in even greater disparities and vulnerability. Informed by a group of experts, this report outlines what we see as the biggest trends that will shape financial health in the generation to come. We also look back at the themes and issues that have influenced our notion of financial health today.

These are complex, knotty issues, with enormous real-world impact. In subsequent reports, we will explore a select number of trends, analyzing the opportunities to leverage them for greater well-being nationwide. Yet we cannot solve any of these challenges in isolation. We hope this paper serves as a call to action across sectors, industries, and perspectives about financial health's centrality to our country's future – and the need to work together in support of greater equity and security.

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[2] Olivia Sidoti, Risa Gelles-Watnick, Michelle Faverio, Sara Atske, Kaitlyn Radde, & Eugenie Park, "Internet, Broadband Fact Sheet," Pew Research Center, January 2024.
[3] Olivia Sidoti, Risa Gelles-Watnick, Michelle Faverio, Sara Atske, Kaitlyn Radde, & Eugenie Park, "Mobile Fact Sheet," Pew Research Center, January 2024.
[4] "Median Sales Price of Houses Sold for the United States," FRED, Federal Reserve Bank of St. Louis, January 2024.
[5] Kennan Cepa, Wanjira Chege, Necati Celik, Andrew Warren, & Riya Patil, "Financial Health Pulse® 2023 U.S. Trends Report," Financial Health Network, September 2023.

What Is Financial Health?

Several concepts have been created to provide holistic views of an individual's financial life, going beyond singular metrics like income or credit score. Terms vary depending on one's industry and perspective, including financial well-being, financial health, and financial security. While each term carries nuance, all share similar tenets: having enough income to meet expenses, being able to weather shocks, and having the potential to build financial cushions.

The Financial Health Network utilizes the term "financial health" to describe whether people are spending, saving, borrowing, and planning in ways that will enable them to be resilient and pursue opportunities. For more details, see the Appendix.

The Origins of the Financial Health Movement

At the end of the 20th century, regulators, advocates, and financial institutions were grappling with an urgent question: How many households in the United States lack a bank account? While measurement was spotty, some estimates pegged the rate of unbanked households at close to 20%.[6] Simultaneously, new forms of alternative financial services targeted at unbanked, low-income, and otherwise underserved communities (such as payday and vehicle title loans) were growing rapidly, supplementing existing check cashing and pawn loans.

Observers worried that this combination of factors was shutting out individuals from opportunities to build financial security, leaving them vulnerable to unscrupulous and predatory actors. Taking cues from the asset building movement as well as the international financial inclusion sector, an effort to help underserved people build assets – through the financial services sector and with the support of government policy – was born.[7]

Evolution of the Landscape

Our effort to bank the unbanked has grown and evolved significantly over the past 20 years. Since the early 2000s, numerous trends have shaped the way we think about the value of being banked and, indeed, shaped the financial health movement itself. In the pages below, we analyze and summarize some of these themes. Such an investigation helps us to better understand how we arrived at where we are today, providing insights into some of the challenges and opportunities that will come in the future.

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[6] Survey of Income and Program Participation (SIPP) data in John F. Creamer & Lewis H. Warren, "Unbanked and Impoverished? Exploring Banking and Poverty Interactions over Time," United States Census Bureau, September 2022.
[7] Ellen Seidman & Jennifer Tescher, "From Unbanked to Homeowner: Improving the Supply of Financial Services for Low-Income, Low-Asset Customers," Joint Center for Housing Studies of Harvard University, February 2004.

Table 1. Early 21st-century trends influencing financial health.

Major Trends	Impacts & Implications
Macroeconomic Events	• Financial crisis of 2007 and Great Recession shed light on **precarity** of many people's financial lives • COVID-19 response boosts **financial health** to unprecedented levels, but gains prove fleeting • Tight labor market post-COVID drives **increase in wages, rise in worker power**
Going Beyond Banked	• Focus shifts from **access** to financial system toward **outcomes** • Research like the U.S. Financial Diaries reveals **complexity** of financial lives • **Measurement** advances dramatically, enabling richer insight and disaggregated analysis
Inequity and the Racial Wealth Divide	• Increasing **bifurcation** between the "haves" and the "have-nots;" concerns about a shrinking middle class • Growing documentation of **structural barriers** faced by disadvantaged groups • New approaches to address the **wealth gap**
Cost of Living	• **Elevated costs of living** that squeeze many households • Dramatic expansion in levels of **consumer debt**
Technology	• **Revolutions in daily life** and how we work: internet, iPhone, cloud computing, machine learning • Banking moves from branch, to online, to **mobile** banking • Competition and innovation from **fintechs, neobanks**

"Significant gains have been made over the past 20 years, and it has become increasingly clear that financial inclusion is a critical building block but not a proxy for financial health and well-being. Moving the needle for more individuals and families across the U.S. can be accelerated through collaborative problem-solving and scaling new ideas and approaches."

– Brandee McHale, Head of Community Investing and Development at Citi & President of the Citi Foundation

Macroeconomic Events

As a baseline, it's important to consider several massively influential economic events that have colored the past 20 years: the financial crisis of 2007; the subsequent Great Recession; and, more recently, the COVID-19 pandemic.

The financial crisis of 2007 came about following a decade-long expansion in housing, during which housing prices doubled.[8] This was coupled with a dramatic expansion in mortgage lending, fueled by risky loans to subprime and even prime borrowers.[9] For some, owning a home may have appeared to be a surefire investment – but when the economy contracted, many homeowners found that their mortgages were no longer affordable. In the years that followed, the unemployment rate more than doubled (reaching 10%), nearly 4 million homeowners were forced to foreclose, and retirement savings were decimated.[10,11] The net worth of an average household dropped by 40%, with Black households experiencing the most dramatic declines.[12]

The depth of the crisis and the subsequent long period of recovery shaped the financial health movement in several ways. First, it exposed the reality that a much larger swath of the population was financially insecure. The crisis revealed that it wasn't just families under the poverty line or those who were unbanked who were struggling – the middle class itself was in trouble. The recession also shed light on the need to measure financial security more holistically and challenged the assumption that homeownership was the only pathway to financial stability. With the collapse of several venerable institutions and subsequent bailouts of others, the crisis also contributed to high levels of distrust of financial institutions, which largely endure to this day.[13,14,15] It also led to the creation of the Consumer Financial Protection Bureau (CFPB), charged with preventing the exploitation of consumers in hopes of preventing another such crisis.

More recently, we experienced another earth-shattering shift in the form of the COVID-19 pandemic, which began in March 2020. In a matter of weeks, mass shutdowns forced the unemployment rate to nearly 15%, the highest since data collection began in the 1940s.[16] The subsequent massive government response – including Economic Impact Payments (or stimulus payments), the expanded

8 John Weinberg, "The Great Recession and Its Aftermath," Federal Reserve History, November 2013.
9 John V. Duca, "Subprime Mortgage Crisis," Federal Reserve History, November 2013.
10 John Weinberg, "The Great Recession and Its Aftermath," Federal Reserve History, November 2013.
11 Sharada Dharmasankar & Bhash Mazumder, "Have Borrowers Recovered from Foreclosures during the Great Recession?," Federal Reserve Bank of Chicago, 2016.
12 Christopher Famighetti & Darrick Hamilton, "The Great Recession, education, race, and homeownership," Economic Policy Institute, May 2019.
13 Justin McCarthy, "Americans' Confidence in Banks Still Languishing Below 30%," Gallup, June 2016.
14 Zuzana Fungáčová, Eeva Kerola, & Laurent Weill, "Does Experience of Banking Crises Affect Trust in Banks?," Journal of Financial Services Research, September 2021.
15 "Few have confidence in financial institutions," Associated Press-NORC Center for Public Affairs Research, March 2023.
16 Gene Falk, Paul D. Romero, Isaac A. Nicchitta, & Emma C. Nyhof, "Unemployment Rates During the COVID-19 Pandemic," Congressional Research Service, August 2021.

Child Tax Credit, student loan moratorium, and other relief programs – actually *boosted* household financial health and lifted an estimated 45 million people out of poverty.[17,18]

As the country emerged from the pandemic, consumers experienced inflation that reached 40-year-highs at the same time that pandemic-era supports eroded, erasing many of the gains from the period.[19] Conversely, tight labor markets contributed to rising levels of worker power and increases in wages.[20]

The dramatic shifts in employment, debt obligations, and incomes that many American families experienced during the COVID-19 period have continued to shape narratives around resiliency and equity. They also generated important conversations about the role of private sector employers and the government in supporting financial well-being and highlighted critical disparities related to gender and race that continue to reverberate today.

Going Beyond Banked

Since the early 2000s, there has been an evolution in the way we think about the value of being banked or having an account in the formal financial system. While account ownership is a critical foundation for financial health, we've recognized that **there is far more to being financially secure than a bank account alone**. One big shift has been the transition from focusing on *inputs* – do you have an account? – toward a greater emphasis on *outcomes* – do existing systems and services support your financial well-being?

In the early years of the movement, there was a clear focus on serving the unbanked, stemming in part from the transition to distributing benefits via direct deposit.[21] Over time, though, research and new thinking have led to growing recognition that while affordable, appropriate bank accounts are essential, the issue goes beyond account access, beyond financial education – even beyond the *financial services system* alone. For one, many of those harmed during the 2007 financial crisis held bank accounts (and often mortgages). In addition, research like "The Financial Diaries," a 2017 book that chronicled how more than 200 U.S. families managed their finances, revealed the complex and sophisticated manner in which financially struggling families balanced their finances, even without being banked. It also shed light on the impact of income volatility on one's well-being.[22]

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[17] Andrew Dunn, Jess McKay, Necati Celik, & Thea Garon, "Financial Health Pulse: 2021 U.S. Trends Report," Financial Health Network, October 2021.
[18] John Creamer, "Supplemental Poverty Measure That Accounts for Additional Government Benefits Lowest on Record at 7.8%," United States Census Bureau, September 2022.
[19] Kennan Cepa, Wanjira Chege, Necati Celik, Andrew Warren, & Riya Patil, "Financial Health Pulse® 2023 U.S. Trends Report," Financial Health Network, September 2023.
[20] Brendan Duke, "Workers' Paychecks Are Growing More Quickly Than Prices," Center for American Progress, January 2024.
[21] Ellen Seidman & Jennifer Tescher, "From Unbanked to Homeowner: Improving the Supply of Financial Services for Low-Income, Low-Asset Customers," Joint Center for Housing Studies of Harvard University, February 2004.
[22] Jonathan Morduch & Rachel Schneider, "The Financial Diaries: How American Families Cope in a World of Uncertainty," Princeton University Press, April 2017.

"By following the dilemmas [of people experiencing financial vulnerability] and following their responses, we can begin to discover ways to address America's hidden inequality – an inequality in exposure to risk and in access to dependable ways to cope."

– The Financial Diaries[23]

New and enhanced measurement mechanisms have also become available. The Federal Deposit Insurance Corporation (FDIC) Unbanked and Underbanked Study debuted in 2009, providing rich insight into Americans' use of financial services and adding to the learnings from the Federal Reserve Board's triennial Survey of Consumer Finances.[24] Holistic measurements of one's financial situation have also emerged, including the CFPB Financial Well-Being Scale and the Financial Health Network's own FinHealth Score®. This data expansion has increased our ability to disaggregate data by key demographics and other factors, shedding light on the deep financial health disparities by race, gender, disability, and other aspects of identity.

Taking cues from other sectors, we've also witnessed an evolution of focus – first from financial education or literacy to financial capability, and then an expansion to the broader notion of financial health. Over time, building on learnings from colleagues in international financial inclusion as well as behavioral economics, practitioners and funders have shifted emphasis from knowledge transfer to capability and action: whether people put learning into practice. Today, the industry has far more tools to measure financial security – yet far more remains to be done to improve outcomes.

Refreshing the FinHealth Score®

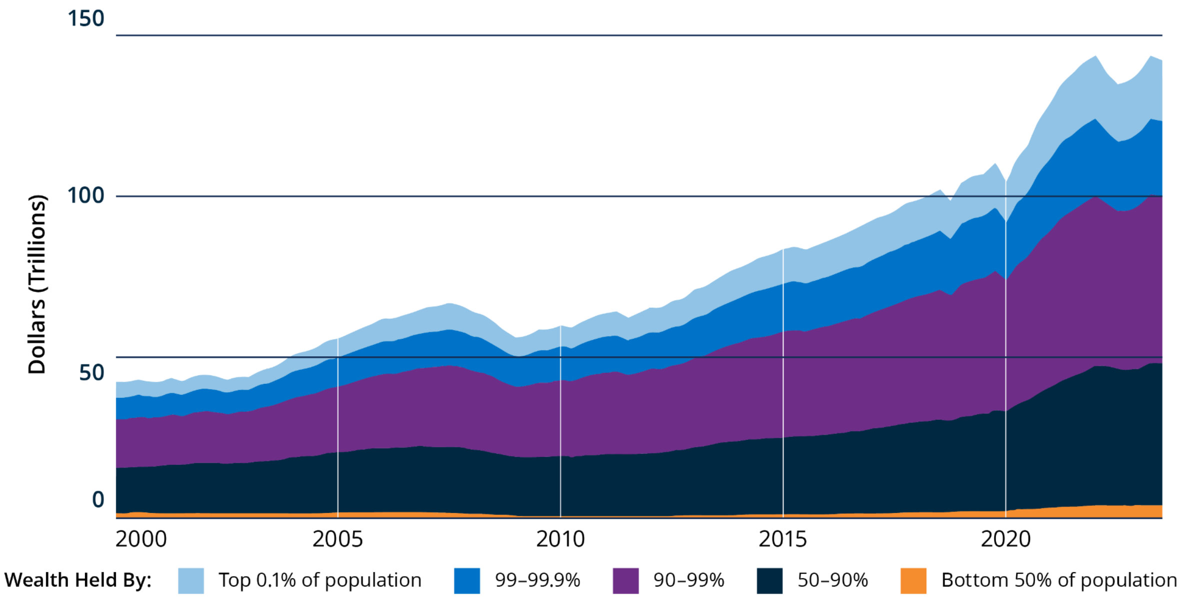
After nearly a decade in use, the Financial Health Network is refreshing our FinHealth Score, our holistic measure for understanding the financial health status of Americans. Through discussions with researchers and leaders across sectors, cognitive testing, and statistical analysis, we will test and enhance the FinHealth Score in 2024 to ensure it is accurate, equitable, and actionable.

[23] Jonathan Morduch & Rachel Schneider, "The Financial Diaries: How American Families Cope in a World of Uncertainty," Princeton University Press, April 2017.
[24] "2009 FDIC National Survey of Unbanked and Underbanked Households," Federal Deposit Insurance Corporation, October 2022.

Inequity and the Racial Wealth Divide

Inequity has been embedded into the American experience since the nation's inception, and disparities have grown over the last generation. Today, the top 10% of American households hold about two-thirds of total household wealth, while the bottom 50% of households hold just 2.6% of household wealth (see Figure 1).[25] These shifts have led to concerns over the "death of the middle class," as wealthy Americans capture ever-greater shares of income and wealth.[26,27] Meanwhile, gaps by race are glaring.[28] In 2022, the typical White family had six times the wealth of the typical Black family and five times the wealth of the typical Latinx family.[29]

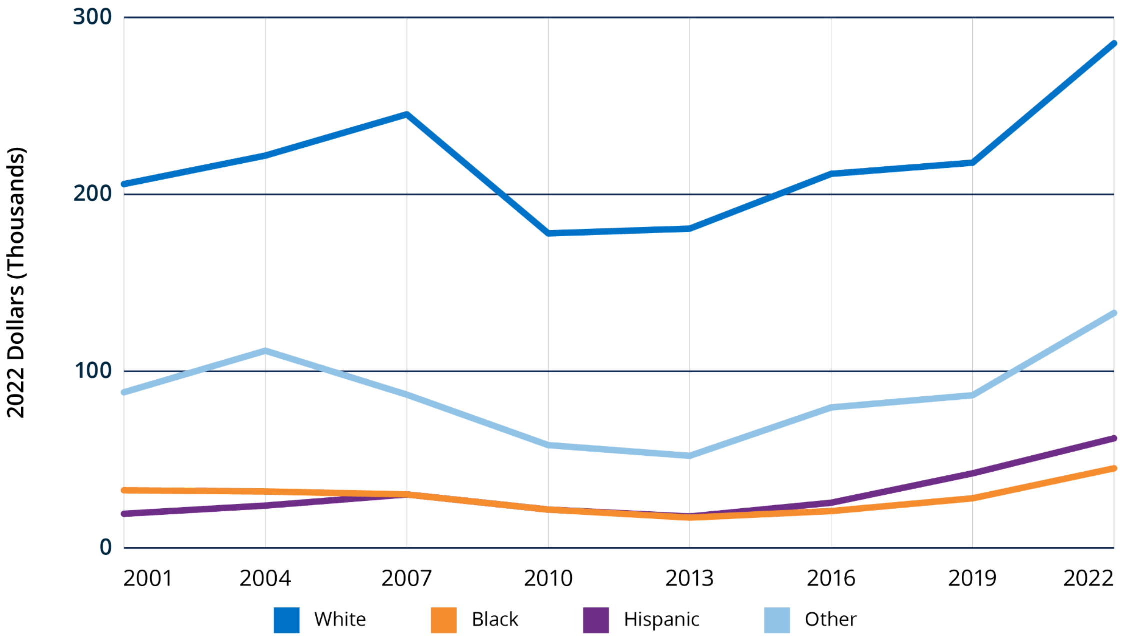
Figure 1. Wealth by wealth percentile, 2000-2023.[30]



Source: Federal Reserve

[25] "Distribution of Household Wealth in the U.S. since 1989," Board of Governors of the Federal Reserve System, March 2024.
[26] Chris Matthews, "The Death of the Middle Class Is Worse Than You Think," Fortune, July 2016.
[27] Julia Menasce Horowitz, Ruth Igielnik, & Rakesh Kochhar, "Trends in income and wealth inequality," Pew Research Center, January 2020.
[28] "Exploring 160 Years of the Black-White Wealth Gap," National Bureau of Economic Research, August 2022.
[29] Aditya Aladangady, Andrew C. Chang, Jacob Krimmel, & Eva Ma, "Greater Wealth, Greater Uncertainty: Changes in Racial Inequality in the Survey of Consumer Finances," Board of Governors of the Federal Reserve System, October 2023.
[30] "Distribution of Household Wealth in the U.S. since 1989," Board of Governors of the Federal Reserve System, March 2024.

Figure 2. Median wealth by race, 2001-2022.[31]



Source: Federal Reserve
Note: The Financial Health Network generally uses the term "Latinx" to describe people of Latin American descent, including those from Mexico, Central America, South America, and the Caribbean. We have used the term "Hispanic" in this chart to maintain the integrity of the original data source.

Many innovations have attempted to close these gaps – both the racial gaps and, more generally, the gaps between low-income and high-income people. The 1990s and early 2000s saw the rise of individual development accounts (IDAs) – accounts intended to help low-income households save for education, buy a home, or start a business.[32] Over time, a number of other approaches have emerged to build assets and wealth, including universal basic income pilots, baby bonds, and initiatives to support increased homeownership.

As racial disparities have grown, awareness of these inequities and their systemic roots have also expanded. Newly disaggregated data and groundbreaking research from organizations like Opportunity Insights and the World Inequality Lab have contributed to deeper insights and acknowledgment of the injustice of these inequities. The disparate impacts of the Great Recession and COVID-19 have also contributed to rising awareness, as did the murder of George Floyd in the

[31] Aditya Aladangady, Andrew C. Chang, Jacob Krimmel, & Eva Ma, "Greater Wealth, Greater Uncertainty: Changes in Racial Inequality in the Survey of Consumer Finances," Board of Governors of the Federal Reserve System, October 2023.
[32] William G. Gale, "What Do Individual Development Accounts Do? Evidence from a Controlled Experiment," Brookings Institution, July 2006.

summer of 2020, which spurred a racial reckoning and $340 billion in corporate racial equity commitments, largely from financial institutions.[33]

While recent years have seen a backlash to "woke-ism;" diversity, equity, and inclusion (DEI) efforts; and affirmative action initiatives, today there is far greater recognition of the enormous and entrenched wealth gaps by race than there was 20 years ago.[34,35] In a divided and contentious political environment, there has also been increased recognition of inequity's impact on overall economic growth and political stability.[36,37,38] For example, a March 2024 report published by Citi estimated that up to $21.3 trillion in economic activity has been lost due to racial wealth gaps since the turn of the millennium alone.[39]

Cost of Living and Rising Debt

A related issue to rising inequity is the high cost of living that squeezes many American households. On average, low- and middle-income households dedicate a greater share of their income toward basic necessities than those with higher incomes. A Council of Economic Advisers analysis of Bureau of Labor Statistics (BLS) data found that families in the bottom 20% of income spend more than 80% of their income on necessities (defined to include housing, transportation, food, education, health, clothing, and childcare) (see Figure 3).[40] In contrast, the highest-earning quintile spends about 65% of their income on necessities, meaning higher-income families have greater discretionary latitude to save or invest. It also means that price increases in underlying necessities hit lower-earning families the hardest.

The same BLS analysis finds that, although prices of some goods and services have fallen in recent decades, others, including healthcare, childcare, and education, have risen substantially. Between 1990 and 2019, the price of higher education rose close to 400%, childcare more than 200%, and rent more than 100% (see Figure 4).[41]

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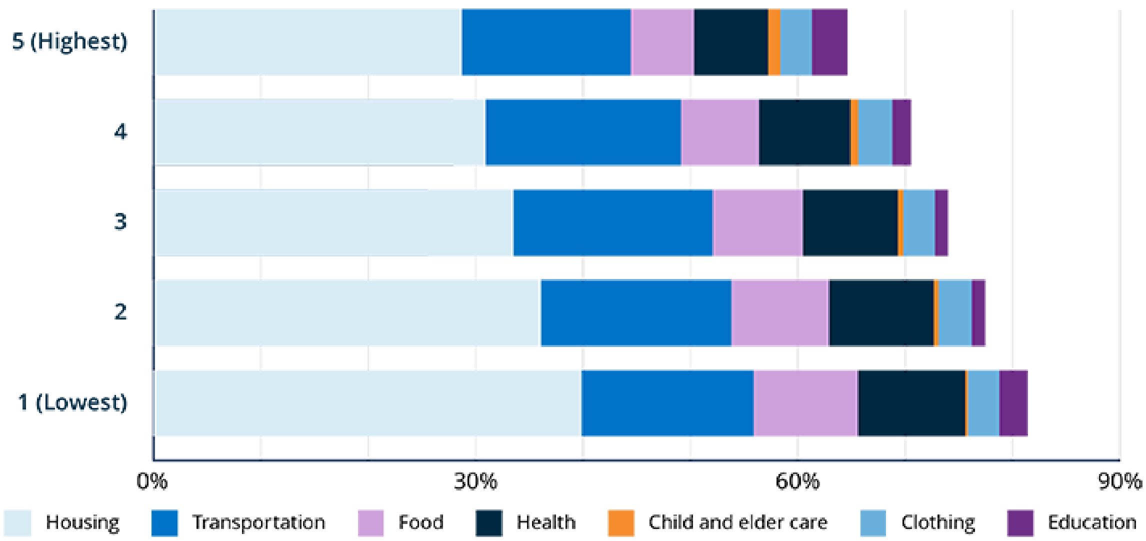
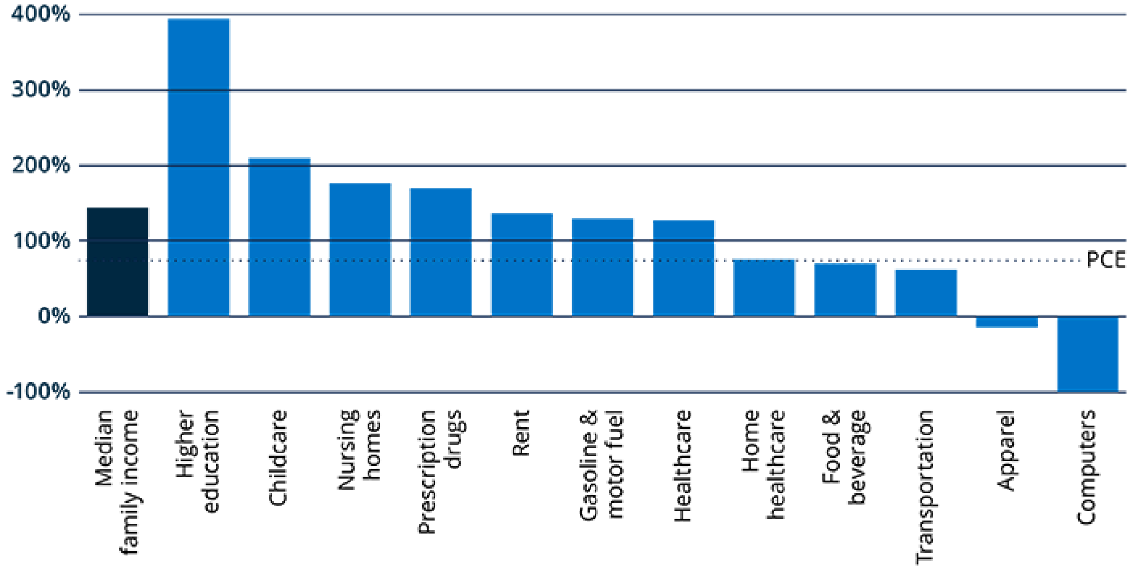
[33] Megan Armstrong, Eathyn Edwards, & Duwain Pinder, "Corporate commitments to racial justice: An update," McKinsey Institute for Black Economic Mobility, February 2023.
[34] Cathy Young, "The Pushback against 'Wokeness' is Legitimate," Cato Institute, June 2023.
[35] Nicholas Confessore, "'America Is Under Attack': Inside the Anti-D.E.I. Crusade," New York Times, January 2024.
[36] "Income Inequality," International Monetary Fund.
[37] Anshu Siripurapu, "The U.S. Inequality Debate," Council on Foreign Relations, April 2022.
[38] Yanfeng Gu & Zhongyuan Wang, "Income Inequality and Global Political Polarization: The Economic Origin of Political Polarization in the World," Journal of Chinese Political Science, November 2021.
[39] Harold Butler, Lisa Frison, Andrew Pitt, & Amy Thompson, "Closing the Racial Wealth Gap: Restating the Economic Case," Citi GPS: Global Perspectives and Solutions, March 2024.
[40] "The Cost of Living in America: Helping Families Move Ahead," The White House Council of Economic Advisers, August 2021.
[41] Ibid.

Figure 3. Share of household budget spent on necessities by income quintile, 2019.[42]



Sources: BLS Consumer Expenditure Survey, Council of Economic Advisers calculations

Figure 4. Percentage changes in prices and median family income, 1990-2019.[43]



Note: PCE is the Personal Consumption Expenditures price index.
Sources: U.S. Bureau of Economic Analysis, Council of Economic Advisers calculations

[42] "The Cost of Living in America: Helping Families Move Ahead," The White House Council of Economic Advisers, August 2021.
[43] Ibid.

These factors likely have contributed to many Americans stating that they are struggling to just make ends meet. Nearly 3 in 10 Americans say they are unable to pay all their bills on time.[44] Only about 60% of Americans would be able to cover expenses for more than a month if they lost their main source of income.[45] Less than half of workers (43%) say they are on track for retirement, even as the onus of retirement continues to shift away from pensions toward largely self-funded vehicles like 401(k)s and IRAs.[46]

Relatedly, consumer non-mortgage debt since the turn of the millennium has more than doubled, reaching $4.9 trillion at the end of 2023.[47] In particular, credit card debt topped $1 trillion for the first time in 2023, while outstanding student loan debt reached $1.6 trillion. Between 2004 and the end of 2023, outstanding student loan debt increased more than 500%, auto loan debt grew 120%, and credit card debt expanded more than 50%.[48]

Technology

Finally, any discussion of the last 20 years would be incomplete without acknowledging how technology has revolutionized the way we live, work, learn, communicate – and manage our finances. The extraordinary leaps in the ability to manage and compute enormous amounts of data have paved the way for innumerable innovations that were previously unthinkable.[49]

In Financial Services…

Around the turn of the millennium, online banking was in its infancy; bank tellers and ATMs were the primary ways people engaged with their accounts. Even then, it was clear that technology would play an important role in lowering costs and expanding access, but the *how* looks quite different. In the early 2000s, prepaid cards and kiosks in 7-Elevens arose as promising new technologies in new spaces to support the financial management needs of those without a bank account.[50] Over time, these approaches have been supplanted by a wholesale revolution in financial management, first online and, more recently, via mobile banking. In 2021, about two-thirds of account holders (66%) said that they primarily accessed their bank account via online or mobile banking.[51]

This sea change has been accompanied by a proliferation of tech-first companies supporting the financial sector. PayPal, Apple Pay, mobile wallets, and more have dramatically increased speed,

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[44] Kennan Cepa, Wanjira Chege, Necati Celik, Andrew Warren, & Riya Patil, "Financial Health Pulse® 2023 U.S. Trends Report," Financial Health Network, September 2023.
[45] "Making Ends Meet in 2023: Insights from the Making Ends Meet survey," Consumer Financial Protection Bureau, December 2023.
[46] Megan Brenan, "Americans' Outlook for their Retirement has Worsened," Gallup, May 2023.
[47] "Household Debt and Credit Report (Q4 2023)," Center for Microeconomic Data, February 2024.
[48] Ibid.
[49] Jonathan G Koomey, Stephen Berard, Marla Sanchez, & Henry Wong, "Implications of Historical Trends in the Electrical Efficiency of Computing," IEEE Annals of the History of Computing, April 2011.
[50] Ellen Seidman & Jennifer Tescher, "From Unbanked to Homeowner: Improving the Supply of Financial Services for Low-Income, Low-Asset Customers," Joint Center for Housing Studies of Harvard University, February 2004.
[51] "2021 FDIC National Survey of Unbanked and Underbanked Households," Federal Deposit Insurance Corporation, October 2022.

access, and convenience. **In 2021, there were over 10,000 fintechs in the US**, with service offerings ranging from payments to personal financial management to lending.[52] This includes a spate of "neobanks" – a type of fintech that provides online banking services in partnership with an already chartered depository institution, often offering lower fees or better interest rates. These solutions continue to push the envelope on user experience and design.

...and In Every Aspect of Daily Life

It's impossible to overstate how dramatically our lives have been shaped by technology in the last generation. Some have called this period the Fourth Industrial Revolution, characterized by rapid technological advancement, automation, and advanced technology – reshaping business, the workforce, and the pace of daily life.[53] From social media to scientific research, YouTube to the Human Genome Project, Google Maps to electric cars, technology is bringing new ways to communicate, connect, learn, and explore – and offering opportunities to tackle some of the largest and most entrenched problems of our time.[54]

The Financial Health Movement Today

After 20 years, where do we stand? For one, thanks to unified efforts from numerous parties, the unbanked rate in the U.S. has fallen to less than 5%.[55] But the extent of the financial health movement goes far beyond this metric. Our ability to understand and measure financial security has advanced significantly. There is now much broader recognition that it's important to look at the totality of one's financial life, as opposed to a single element like income or credit score. Indeed, a constellation of factors are necessary to being financially healthy – from predictable wages and benefits to manageable levels of debt, emergency savings, and appropriate insurance. There is also increasing awareness of the interplay between financial, mental, and physical health.[56]

The movement has activated a whole universe of stakeholders that includes but goes far beyond financial services, with innovation coming from multiple angles. Recently, six of the eight leading banks have introduced affordable small-dollar alternatives to more costly forms of credit, like overdrafts or payday loans.[57] More than 400 institutions offer a transaction account that meets the Bank On Initiative's standards for safe, affordable bank accounts with low fees.[58] About three-quarters of large employers report that they currently offer or plan to offer hardship or emergency assistance programs to their employees.[59]

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[52] "Fintech Companies in the USA | Full List 2023," Centre for Finance, Technology and Entrepreneurship, November 2021.
[53] "What are Industry 4.0, the Fourth Industrial Revolution, and 4IR?," McKinsey & Company, August 2022.
[54] Madeleine Hillyer, "How has technology changed - and changed us - in the past 20 years?," World Economic Forum, November 2020.
[55] "2021 FDIC National Survey of Unbanked and Underbanked Households," Federal Deposit Insurance Corporation, October 2022.
[56] Meghan Greene & Riya Patil, "Understanding the Mental-Financial Health Connection," Financial Health Network, October 2023.
[57] Alex Horowitz, "Affordable Credit Poised to Save Consumers Billions," Pew, May 2023.
[58] "Get Certified: Join the National Bank On Movement," Cities for Financial Empowerment Fund.
[59] Ann Carrns, "Employers Can Now Enroll Workers in Some Emergency Savings Accounts," New York Times, February 2024.

Improving financial health has become an overt goal of policymakers. The U.S. Department of the Treasury is building the first-ever national strategy for financial inclusion and explicitly states that it aims not only to "broaden access to financial services among underserved communities" but also "improve the ability of such communities to use and benefit from financial tools and services."[60] The Acting Comptroller of the Currency, Michael Hsu, has described financial health as "the ultimate goal" that bank products and services should serve.[61] Regulators recently proposed overhauling the Community Reinvestment Act; the Federal Reserve rolled out FedNow to offer real-time payments; the CFPB is building the infrastructure for open banking; and the Secure 2.0 Act of 2022 expands auto-enrollment in retirement accounts and permits auto-enrollment in emergency savings accounts.

The efforts of the last 20 years have built critical infrastructure and common language for describing, measuring, and disaggregating financial health outcomes. A much deeper and more nuanced picture of people's financial lives has emerged. Motivation has grown across numerous sectors and key leaders. But, in many ways, we are only just beginning.

"Our conversations used to focus on ensuring everyone had access to a bank account. But true financial health requires a comprehensive set of solutions that address the full spectrum of individuals' and families' financial needs."

– Jennifer Tescher, Founder & CEO, Financial Health Network

A Global FinHealth Movement

The global financial inclusion movement has inspired action in the U.S. in many ways, from the concept of microloans and innovation in digital financial services to nuanced understanding of the lives of low-income people.

Now, the U.S. is also influencing global approaches. Over the past few years, the world has increasingly recognized the need to go beyond financial literacy, financial access, and usage and instead focused attention on financial outcomes – in other words, financial health.[62]

Our Progress and Plans for More

Twenty years ago, a movement began with a clear goal: banking the unbanked so that those who were on the fringes of the financial system could access lower-cost products, better protect their savings, and ultimately grow their assets.

[60] "Request for Information on Financial Inclusion," Treasury Department, December 2023.
[61] Michael J. Hsu, "Acting Comptroller of the Currency Michael J. Hsu Remarks at the 2023 Bank On National Conference 'Financial Inclusion Successes on the Path to Financial Health'," Office of the Comptroller of the Currency, May 2023.
[62] Ankita Singh, Mayank Jain, & Jaspreet Singh, "Why financial health must be treated as the true north to augment the success of financial inclusion," UN Capital Development Fund, July 2022.

Today, the challenge is different and far more multifaceted: How do we expand financial health to more Americans? And how can we do so in a way that is fair, equitable, and sustainable?

Looking back at the last 20 years reveals just how much is left to accomplish and how many stakeholders will need to join the cause. No one sector – business, government, nonprofit – can unilaterally solve the problem, and responsibility does not lie solely with the financial services sector. Financial well-being is central to so many issues that shape the economy and our political discourse – jobs, education, and healthcare, to name a few – and financial well-being will likewise be impacted greatly by the trends that lie ahead.

Left unchecked, issues like inequity and financial vulnerability are likely to worsen, with implications not only for individuals' financial well-being but also the country's overall stability. With concerted effort, however, there are also great opportunities to more equitably grow financial security for more families, building upon the foundation we've created to expand financial health in America.

Looking Toward the Future: Headwinds and Tailwinds Ahead

In the following sections, we identify several key trends that will shape our country in the coming 20 years. What threats and opportunities will these trends bring? For each of these, we detail current projections, challenges and questions, and begin to ask: **How can we harness these trends for greater, more equitable financial health outcomes for Americans?**

Technology (Again)

Technology undoubtedly will continue to redefine the way we engage with our finances and, indeed, with one another. It brings high potential for new and innovative ways to foster financial health, but also brings high risks: bias, privacy, fraud, and disinformation.

Far from being reactive, the goal is to view emerging technologies from an outcomes lens: Do they improve financial health – or hurt it? How can we create the governance systems, products, and oversight needed to expand opportunity?

Artificial Intelligence (AI)

Particularly since OpenAI's ChatGPT launched at the end of 2022, the world has been abuzz about ways to leverage artificial intelligence, especially generative AI. Broadly, generative AI refers to deep-learning models that leverage massive amounts of data to generate text, images, and other content.[63] Far beyond chatbots, innovators see potential applications for generative AI in healthcare, education, financial services, manufacturing, and more. All of these have financial health

[63] Kim Martineau, "What is generative AI?," IBM, April 2023.

implications. New technologies will undoubtedly shape the future of work: both the types of jobs and the skill sets needed to be successful. They offer the potential for new research, new ways of communicating, increasingly personalized services, and far more.

With this comes a number of risks, including more sophisticated fraud. Data security, intellectual property, and privacy also remain concerns.[64] But perhaps most worrisome for those working toward expanded financial health is the risk for existing bias to be baked into algorithms. AI is built upon existing data sets, with all their flaws – meaning AI models can perpetuate and amplify pre-existing biases.

Several efforts are underway – including the U.S. AI Safety Institute Consortium launched by the Biden administration and housed at the National Institute of Standards and Technology (NIST) – to build a strong governance backbone that will help AI flourish in a responsible and equitable manner.[65] Advocates have called for the communities who have been disproportionately impacted by the adverse effects to be at the center of these discussions. Such an approach is necessary to avoid simply creating a faster version of the status quo – further exacerbating and entrenching inequity.

Other Tech Frontiers

Other technological innovations offering promise for financial health include:

- **Augmented and Virtual Reality**: Advancements in virtual reality go far beyond gaming, with the potential to enhance accessibility for disabled individuals, allow for remote training, and expand access to education and healthcare.[66,67] As these applications come into focus, developers must also grapple with ethical questions regarding user privacy, bias, representation, and psychological impacts.[68,69]

- **Broadband Access**: The internet is now so core to society's operation that access to broadband is considered "essential infrastructure."[70] It's central to education, jobs, social engagement, and more. However, roughly 1 in 5 households still aren't connected to the

[64] "Generative AI in banking: Opportunities and pitfalls abound with this new technology," Thomson Reuters, 2023.
[65] "Biden-Harris Administration Announces First-Ever Consortium Dedicated to AI Safety," U.S. Department of Commerce, February 2024.
[66] Gergana Mileva, "7 Benefits of AR and VR for People With Disability," AR Post, February 2022.
[67] Mahnaz Samadbeik, Donya Yaaghobi, Peivand Bastani, Shahabeddin Abhari, Rita Rezaee, & Ali Garavand, "The Applications of Virtual Reality Technology in Medical Groups Teaching," Journal of Advances in Medical Education & Professionalism, July 2018.
[68] Katharina-Maria Behr, Andreas Nosper, & Cristoph Klimmt, "Some Practical Considerations of Ethical Issues in VR Research," PRESENCE Virtual and Augmented Reality, December 2005.
[69] "Ethics in Virtual Reality," IEEE Digital Reality.
[70] Adie Tomer, Lara Fishbane, Angela Siefer, & Bill Callahan, "Digital prosperity: How broadband can deliver health and equity to all communities," Brookings Institution, February 2020.

internet.[71] Recent investments through the Infrastructure Investment and American Jobs Act have dedicated resources toward closing those gaps.[72]

- **Open Banking**: The open banking model would allow financial data to be shared between banks and third-party service providers. It presents the potential for consumers to have greater control over their finances and could lead to more tailored services, reduced costs, and greater innovation for underserved communities. It also raises concerns about data security and privacy.[73]

- **Blockchain and Decentralized Finance:** While skeptics abound, blockchain and decentralized finance (DeFi) applications could offer innovations for a range of financial health challenges, ranging from real-time payments and identify verification for benefits eligibility to new savings and investment opportunities.[74] Risks, however, include fraud, money laundering, and value fluctuations and exchange failures that could erase wealth.[75]

"As rising housing, childcare, healthcare, and education costs threaten the financial health of so many, new methods of helping Americans plan, save, and borrow are more important than ever. Responsible technology innovation can improve financial well-being at a scale previously unimaginable. The key is to make sure technology serves as a bridge, not a barrier, to a society where economic resilience and prosperity are accessible to all."

– Kareem Saleh, Founder & CEO, FairPlay AI

Climate Change

Climate change represents an unprecedented threat to financial health, with dramatic potential to exacerbate existing inequities. As the U.S. Department of the Treasury wrote in a recent paper, "Without significant intervention, climate hazards are likely to cause compounding financial burdens for vulnerable households with fewer resources and limited ability to prepare for and recover from shocks."[76]

Already, the costs are staggering. Damage from major U.S. weather and climate disasters between 2018 to 2022 exceeded $617 billion, with impacts projected to worsen in the years ahead.[77]

[71] "Why Internet Matters," Internet for All.
[72] "Infrastructure Investment and Jobs Act Implementation," National Telecommunications and Information Administration, January 2022.
[73] Laura Brodsky & Liz Oakes, "Data sharing and open banking," McKinsey & Company, September 2017.
[74] David Derryck & Mack Wallace, "Blockchain, Crypto, and Household Financial Security: An Introductory Guide for Policymakers and the Social Sector," Aspen Institute Financial Security Program, April 2023.
[75] Ibid.
[76] "The Impact of Climate Change on American Household Finances," U.S. Department of the Treasury.
[77] "The Impact of Climate Change on American Household Finances," U.S. Department of the Treasury.

Climate-related health costs in the U.S. now total over $800 billion per year, and extreme heat alone results in a loss of nearly 300 billion work hours per year worldwide.[78]

Natural disasters have been linked to lower credit scores, increased incidence of debt in collections, bankruptcies and foreclosures, and more.[79] These effects appear to compound over time. A 2019 Urban Institute analysis found that communities hit by a medium-sized disaster experienced a 5 percentage point increase in the share of residents with debt in collections one year after the event, expanding to 10 percentage points four years later.[80]

These negative effects are felt most strongly by residents who are financially struggling. A separate Urban Institute study found that, among residents impacted by the Marshall Fire in Boulder County, Colorado, those with higher incomes were more likely to rebuild and were rebuilding more quickly.[81] An analysis by the U.S. Department of the Treasury has found that vulnerable communities are particularly likely to live in structures susceptible to damage and to live in areas at risk for climate hazards.[82]

Beyond destruction of property and risks to health, financial shocks and implications include:[83]

- Loss of earnings and employee benefits
- Loss or limited access to public benefits
- Disruptions to childcare and other dependent care
- Difficulty accessing healthcare
- Increased cost and reduced availability of transportation
- Challenges accessing funds

The warming climate and the extreme weather it precipitates is not a far-off issue, but one that is already upon us. In a 2022 national poll, **78% of Americans reported being personally affected by at least one extreme weather event in the prior five years.[84]**

The impacts of climate change also extend beyond extreme weather events, including increased cost of living through rising utilities costs (especially around electricity and cooling), increasingly unaffordable insurance, and workplace and transportation disruptions. It's projected to lead to population migration to the Midwest and Northeast, with vast implications for homeownership, gentrification, and wealth accumulation.

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[78] Donald De Alwis & Dr. Vijay S. Limaye, "The Costs of Inaction: The Economic Burden of Fossil Fuels and Climate Change on Health in the United States," Natural Resources Defense Council.
[79] Caroline Ratcliffe, William J. Congdon, Alexandra Stanczyk, Daniel Teles, Carlos Martín, & Bapuchandra Kotapati, "Insult to Injury: Natural Disasters and Residents' Financial Health Highlights," Urban Institute, April 2019.
[80] Ibid.
[81] Andrew Rumbach, Katherine Dickinson, Elizabeth Albright, & Deserai Crow, "After the Marshall Fire, Households with Fewer Financial Resources are Falling Behind," Urban Institute, April 2023.
[82] "The Impact of Climate Change on American Household Finances," U.S. Department of the Treasury.
[83] Ibid.
[84] "Poll: Facing extreme weather is changing Americans' views about need for climate change action," Harvard T.H. Chan School of Public Health, June 2022.

This data is bleak, but the enormity of the challenge is already leading to innovation by necessity, with new thinking around green design, city planning, financial services, and more. The 2022 Inflation Reduction Act stands as the largest investment in climate in U.S. history – with initiatives to lower energy costs, increase clean production, and reduce carbon emissions – and climate jobs are now among the fastest-growing in the country.[85,86,87] As efforts ramp up, it is essential that initiatives consider financial security and resilience as core goals, particularly for communities that are already vulnerable.

"When it comes to financial health, there is no greater threat-multiplier than climate change. Millions of Americans are barely hanging on financially, and these challenges will only worsen in the face of increasingly severe weather.

As financial health leaders, we have a responsibility to ensure climate adaptation and mitigation policies and resources reach financially vulnerable households. This is the fight of our lives. No one gets to sit on the sidelines."

– Leigh Phillips, President & CEO, SaverLife

Demographic Shifts

The makeup of the U.S. population is projected to continue to evolve, with important shifts in age, race, and ethnicity that have wide-ranging implications for financial health.

Aging Population

Many projections anticipate that the share of older Americans in the population will grow substantially over the next 20 years, reaching 22% of the population by 2050.[88] This is up from about 12% in 2000.[89]

The sheer number of older Americans is also growing. In 2000, there were 35 million people 65 and older in the U.S. In 2040, that figure is projected to reach 80 million.[90] Further, in 2019, there were far more children under 18 than people 65 and older; well before 2050, older adults will outnumber children.[91]

[85] "Inflation Reduction Act of 2022," U.S. Department of Energy, September 2023.
[86] "Summary: The Inflation Reduction Act of 2022," Senate Democrats.
[87] "Fastest Growing Occupations," U.S. Bureau of Labor Statistics, April 2024.
[88] Jonathan Vespa, Lauren Medina, & David M. Armstrong, "Demographic Turning Points for the United States: Population Projections for 2020 to 2060," United States Census Bureau, February 2020.
[89] "The US Population is Aging," Urban Institute.
[90] Ibid.
[91] David Wessel, "The U.S. in 2050 Will Be Very Different Than It Is Today," Peter G. Peterson Foundation, 2019.

One major concern is that there will be fewer younger people to pay into programs like Social Security and Medicare. According to the Social Security Administration, prior to 2008, there were at least 3 workers per Social Security beneficiary. By 2035, there will be just 2.3, with rates continuing to decline thereafter.[92] As a result, the SSA projected in 2023 that it would only be able to fund benefits at the current level for 11 more years.[93] Moreover, the Medicare Hospital Insurance trust fund (which covers Medicare Part A benefits) is projected to be depleted by 2028, with an anticipated shortfall of $247 billion between 2028-2031.[94]

There's also the question of who will care for all these individuals. Analysts project a shortfall of direct care workers, a group that nationally receives wages of just $12.12 an hour.[95,96] Caring for aged relatives in many cases may fall on family members, an experience that is associated with lower financial health.[97]

Since the 1980s, moreover, there has been a continued trend toward self-funding retirement, transitioning away from pensions and toward 401(k)s. This has contributed to few people being prepared for retirement today; nearly half of American households have no savings in a retirement account, according to the Survey of Consumer Finances.[98] The American people have an even grimmer outlook about what's ahead: 7 in 10 Americans expect older adults will be less prepared for retirement in 2050 than they are today.[99]

Some individuals may work longer because of need; others may choose to do so. This could have its upsides. More people working longer could also mean they are able to actively contribute to society later in life. To take advantage of this, individuals need opportunities for continued upskilling and training, and employers and policymakers will need to combat age discrimination.

Finally, over the coming years, the country will also start to see "the greatest wealth transfer in history" as Baby Boomers pass their wealth to younger generations.[100] Many are concerned that this could exacerbate the already extreme levels of inequity in the country, with analysis projecting that the bulk of the wealth will transfer to already wealthy households.

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[92] "The 2023 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," The Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, March 2023.
[93] Kathleen Romig, "What the 2023 Trustees' Report Shows About Social Security," Center on Budget and Policy Priorities, April 2023.
[94] Juliette Cubanski & Tricia Neuman, "FAQs on Medicare Financing and Trust Fund Solvency," KFF, June 2022.
[95] Lisa Harootunian, Kamryn Perry, Allison Buffett, Marilyn Werber Serafini, Brian O'Gara, & G. William Hoagland, "Addressing the Direct Care Workforce Shortage," Bipartisan Policy Center, December 2023.
[96] Nancy Stedman, "Home Health Care Workforce Not Keeping Up with Community Needs," Leonard Davis Institute of Health Economics at the University of Pennsylvania, June 2023.
[97] Meghan Greene, Jess McKay, & Andrew Warren, "The Gender Gap in Financial Health: Identifying Barriers and Opportunities for Improving Women's Financial Health," Financial Health Network, July 2022.
[98] "Nearly half of American households have no retirement savings," USAFacts, November 2023.
[99] Kim Parker, Rich Morin, & Juliana Menasce Horowitz, "Looking to the Future, Public Sees an America in Decline on Many Fronts," Pew Research Center, March 2019.
[100] Talmon Joseph Smith, "The Greatest Wealth Transfer in History is Here, with Familiar (Rich) Winners," The New York Times, May 2023.

Policymakers, business leaders, and healthcare innovators are tasked with the enormous challenge of supporting today's older Americans while simultaneously securing the future for generations to come. Without clear-eyed focus, we risk building a system that exacerbates already dramatic financial health inequities.

"Social Security and Medicare have long been critical to the financial health and well-being of older Americans, and they will continue to be just as important to future generations. Ensuring adequate funding for these programs should be a major policy priority.

Financial health later in life also requires adequate retirement savings and the ability to work at older ages, if desired. Policymakers and employers both play important roles in removing the existing barriers to saving and working longer. Doing so would not only improve the financial health of older Americans today and in the future, it would benefit the broader economy."

– Gary Koenig, Vice President, Financial Security, AARP Public Policy Institute

Key Issue: Rising Healthcare Costs

In 2022, healthcare spending reached the staggering sum of $4.5 trillion – 17.3% of America's gross domestic product (GDP).[101] Yet, this figure seems destined to only increase as the population ages, particularly since people over 65 account for more than one-third of all healthcare spending.[102]

Already, healthcare costs put an extraordinary burden on families; about half of U.S. adults say it is difficult to cover healthcare costs, and 1 in 4 have skipped or postponed needed healthcare, an experience that is more common among those who are financially vulnerable.[103,104] Twenty million Americans – about 1 in 12 – have medical debt.[105] It is hard to anticipate how these costs may evolve in the future, but it's clear that healthcare will be an issue central to both the U.S. economy and to Americans' financial well-being.

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[101] "National Health Expenditure Data - Historical," Center for Medicaid & Medicaid Services, December 2023.
[102] Mariacristina De Nardi, Eric French, John Bailey Jones, & Jeremy McCauley, "Medical Spending of the US Elderly," Fiscal Studies, December 2016.
[103] Lunna Lopes, Alex Montero, Marley Presiado, & Liz Hamel, "Americans' Challenges with Health Care," KFF, March 2024.
[104] Author's analysis of 2023 Financial Health Pulse® data.
[105] Shameek Rakshit, Matthew Rae, Gary Claxton, Krutika Amin, & Cynthia Cox, "The burden of medical debt in the United States," Peterson-KFF Health System Tracker, February 2024.

Increasing Racial Diversity

Another important – and related – demographic trend is the nation's growing racial and ethnic diversity. According to the Census Bureau, "As the population ages and grows more slowly in coming decades, the United States is projected to continue becoming a more racially and ethnically pluralistic society."[106] Part of the reason is that, as the birth rate slows and the current population ages, international migration will become the largest source of population growth.[107]

What will this mean for financial health in our society? For one, growing representation of racial and ethnic minority groups could focus attention and resources on meeting the needs of historically marginalized communities, driving greater and more inclusive innovation. It could also lead to growing interaction between people of different backgrounds – an experience that could lead to greater tolerance and acceptance.[108] The majority of Americans say that the country's multi-racial and multi-ethnic background are beneficial to the country.[109]

On the other hand, given the country's historic disinvestment and discrimination against communities of color, it could lead to an exacerbation of the country's already deep inequities. Much is in flux at the current moment, even beyond immigration policy. The June 2023 Supreme Court ruling that struck down the practice of considering race in college admissions and the subsequent discrimination lawsuits against race-specific venture funds, small business lending programs, and the like have contributed to an uncertain operating environment for targeted programs nationwide.[110,111] Even race-neutral admissions programs have come under attack in cases where they have increased diversity. Many states are also moving to ban any form of DEI programs in public-funded institutions.

[106] Jonathan Vespa, Lauren Medina, & David M. Armstrong, "Demographic Turning Points for the United States: Population Projections for 2020 to 2060," United States Census Bureau, February 2020.
[107] Ibid.
[108] Kenneth M. Johnson, "New Census Reflects Growing U.S. Population Diversity, with Children in the Forefront," University of New Hampshire, October 2021.
[109] Juliana Menasce Horowitz, "Americans See Advantages and Challenges in Country's Growing Racial and Ethnic Diversity," Pew Research Center, May 2019.
[110] Chief Justice John Roberts, "Students for Fair Admissions, Inc. v. President and Fellows of Harvard College," Supreme Court of the United States, June 2023.
[111] Mirtha Donastorg, "Fearless Fund is back in court tomorrow. Here's what you need to know," Atlanta Journal-Constitution, January 2024.

"Central to my agency's work is a baseline recognition of the myriad root causes and consequences of the racial wealth gap and financial insecurity among people of color in the United States, and how it affects their health and well-being. Rather than focusing on theoretical concerns, the applied research approach of the Financial Health Frontiers initiative will play a crucial role in addressing practical problems that impact our daily lives, work, health, and overall economic life chances, while untangling the structural factors that contribute to financial disparities, as well as potential solutions and policies that can address them."

– Cy Richardson, Senior Vice President for Programs, National Urban League

Key Issue: Unaffordable Housing

It is difficult to project exactly how housing prices will evolve in the years to come, but what seems clear is that housing – for many families the most costly monthly expense – will remain a central factor in attainability of financial health. Today, the country faces an acute shortage of housing units, particularly affordable housing, contributing to sky-high rent and home costs.[112,113]

For some renters, these costs are reaching a breaking point. A recent Harvard Joint Center for Housing Studies paper found that, today, fully half of renters are cost-burdened (spending more than 30% of their income on rent and utilities). Simultaneously, the nation is witnessing all-time highs in the number of people experiencing homelessness.[114]

The issue also contributes to the wealth gap. Home equity is the single largest contributor to household net wealth, but homeownership remains out of reach for many, particularly people of color.[115] In 1960, 38% of Black households owned their home, compared with 65% of White households; in 2024, 46% of Black households own their home, compared with 74% of White households.[116,117] For a country in which the racial gap in homeownership is at least the same, if not larger, today than when racial discrimination in the housing market was legal, this reality raises worrying questions about the trajectory of the wealth gap.

[112] Sami Sparber, "America's housing shortage explained in one chart," Axios, December 2023.
[113] "The Affordable Housing Crisis Grows While Efforts to Increase Supply Fall Short," U.S. Government Accountability Office, October 2023.
[114] "America's Rental Housing 2024," Joint Center for Housing Studies of Harvard University, 2024.
[115] Paul Taylor, Rakesh Kochar, Richard Fry, Gabriel Velasco, & Seth Motel, "Wealth Gaps Rise to Record Highs Between Whites, Blacks, Hispanics," Pew Research Center, July 2011.
[116] "Reducing the Racial Homeownership Gap," Urban Institute.
[117] "Housing and Homeownership: Homeownership Rate," Federal Reserve Bank of St. Louis, April 2022.

The Future of the Workplace

The workplace feels poised to experience massive changes in the years ahead. For one, recent years have seen rising union popularity and increased interest in collective action, particularly among younger generations.[118] Most recently, labor activity has been on the rise, with 2023 seeing the largest number of striking workers since 1983.[119] If this continues, the wave of unionization, labor activity, and emphasis on "worker power" has the potential to reshape the workplace experience, particularly for those in lower-income positions.

At the same time, workers are worried that their jobs may become obsolete due to automation and technology, a change that could disproportionately impact workers of color. A McKinsey analysis, for example, has found that Black workers are overrepresented in four of the top five occupations at risk of automation: office support, production work, food services, and mechanical installation and repair.[120] Workers are also worried about a continued "gig"-ification of the workforce, with heightened job insecurity and a paucity of benefits. According to a 2019 survey from the Pew Research Center:

- 76% of respondents said they thought that workplace automation would lead to more economic inequity.[121]
- Nearly half (49%) of respondents believe that workers will have less job security in 2050 than they do now.
- Only one in five (22%) think their benefits will be better than they are now.

There is also a range of innovative thinking and action to increase access to "good jobs." A movement for "living wages" has arisen, led by organizations like Good Jobs Institute and Living Wage for US.[122] Grassroots efforts to lift minimum wages have been successful in dozens of states, though the federal minimum wage has remained unchanged since 2009.[123,124] In addition, the emphasis on the importance and value of both public and private benefits is increasing. Workplace benefits account for approximately 30% of overall compensation, but lower-paid workers are less likely to have access to and participate in workplace benefits.[125] Collaboratives and thought leadership efforts, like the Benefits21 initiative run by the Aspen Institute, have called for efforts to design benefits that are inclusive, portable, people-centric, and interoperable.[126] Others are

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118 John Gramlich, "Majorities of Americans say unions have a positive effect on U.S. and that decline in union membership is bad," Pew Research Center, September 2021.
119 "Labor Action Tracker," Cornell School of Industrial and Labor Relations.
120 Jan Shelly Brown, Matthew Finney, Natasha Korgaonkar, Mark McMillan, & Chris Perkins, "The impact of generative AI on Black communities," McKinsey & Company, December 2023.
121 Kim Parker, Rich Morin, & Juliana Menasce Horowitz, "Looking to the Future, Public Sees an America in Decline on Many Fronts," Pew Research Center, March 2019.
122 "Living Wage Calculator," Massachusetts Institute of Technology, February 2024.
123 "State Minimum Wage Laws," U.S. Department of Labor, January 2024.
124 "History of Changes to the Minimum Wage Law," U.S. Department of Labor.
125 Sheida Isabel Elmi & Financial Security Program, "The Complete Financial Lives of Workers: A Holistic Exploration of Work and Public and Workplace Benefit Arrangements," Aspen Institute, March 2021.
126 Financial Security Program & Benefits21, "Benefits21: A Modernized System of Benefits is the Foundation for an Inclusive Economy," Aspen Institute, September 2020.

exploring new and innovative approaches to employee ownership, such as Ownership Works and Project Equity.

Key Issue: Education Costs and Return on Investment

The cost of higher education has been a political flashpoint. Total student loan debt reached $1.6 trillion in 2023, amid heated conversations around loan forgiveness, equity, and the value of a degree.[127] Today, many Americans are questioning whether investing in a college education is worthwhile.[128]

Amid this landscape, numerous efforts are underway to expand education opportunities, reduce debt, and test alternate methods of upskilling and training workers. Jobs for the Future has been a leading voice in exploring apprenticeship and credentialing models that expand well-paying opportunities to those without college degrees. Notably, recent legislation – the Inflation Reduction Act of 2022 and the CHIPS and Science Act of 2022 – provide incentives to "reshore" jobs that had previously moved to lower-wage economies and aim to contribute toward a large-scale, skilled manufacturing workforce.

"As we navigate the evolving landscape of education and work, we must confront the systemic barriers impeding access to quality jobs and economic stability, which hold back many workers and their families. The dynamic nature of the future of work demands rapid adaptation, emphasizing the importance of creating conditions and solutions that break down barriers and foster partnerships to facilitate economic prosperity. By placing people at the forefront, we can truly advocate for change and innovate systems to ensure access to high-quality education pathways that lead to quality jobs. As leaders in the financial health movement, our agility and responsiveness are crucial."

– Maria Flynn, President & CEO, Jobs for the Future

[127] "Quarterly Report on Household Debt and Credit," Federal Reserve Bank of New York Center for Microeconomic Data, February 2024.
[128] Paul Tough, "Americans are Losing Faith in the Value of College. Whose Fault is That?," The New York Times Magazine, September 2023.

Interconnections in Financial Health
We present the trends above as if they stand alone, but the reality is that they are deeply intertwined, and no one issue can be taken on its own. Below are just a handful of examples that illustrate the convergence and the complexity of the trends on financial health:

- **Aging Population & Climate**: Older adults are especially vulnerable to the adverse health effects of climate change, given their higher likelihood of having compromised immune systems, limited mobility, elevated risk for heat illness and death, and more.[129]
- **Growing Racial Diversity & Future of Work**: Seventy-eight percent of net-new workers between 2020 and 2030 will be Latinx.[130] Yet, Latinx workers disproportionately hold jobs that are lower-paying and offer few benefits. Securing a strong economic future will require working at the nexus of an evolving workforce and the evolving nature of work.
- **Tech & Future of Work**: As technology continues to revolutionize society, many are fearful that their job security is at risk.[131] Generative AI, for example, holds the potential to automate many of the tasks involved in careers that have traditionally served as high-mobility jobs for communities of color. Generative AI could disrupt these job pathways, potentially closing opportunities to prosperity for Black workers.[132] At the same time, new technologies make available greater opportunities for education, training, and upskilling, and could result in new job pathways.
- **Climate & Housing**: Research from SaverLife has found that renters are more likely than homeowners to experience adverse climate impacts.[133] They are also less able to independently make climate improvements to their home, instead relying on landlords.

Building on Our Foundation for Greater Financial Health

Twenty years ago, a movement began with the goal of "banking the unbanked," with the hope that financial access could be the gateway to financial stability.

Since that time, the world has evolved dramatically, as has our understanding of the core problem at hand. As we have built critical infrastructure, a common language, and measurement tools, we have also gained a much more complex and nuanced understanding of what families need to be financially secure. Now, the question is broader and even more challenging: How do we support

[129] "Climate Change and the Health of Older Adults," United States Environmental Protection Agency, December 2023.
[130] "Workforce Development," UnidosUS.
[131] Kim Parker, Rich Morin, & Juliana Menasce Horowitz, "Looking to the Future, Public Sees an America in Decline on Many Fronts," Pew Research Center, March 2019.
[132] Jan Shelly Brown, Matthew Finney, Natasha Korgaonkar, Mark McMillan, & Chris Perkins, "The impact of generative AI on Black communities," McKinsey & Company, December 2023.
[133] "The Downpour: Navigating Chronic Climate Expenses in Households Living on Low-to-Moderate Incomes," SaverLife, November 2023.

greater and more equitable financial health for all Americans, particularly in light of the enormous changes our country will face in the coming generation?

As we consider massive demographic shifts, a warming planet, breathtaking technological innovation, and more, how do we ensure that financial health, particularly for the most vulnerable, is at the fore? Without concerted focus, the country is likely to experience a continued atrophy of financial well-being, with even more of the challenges that have divided the country: dramatic racial wealth divides, a polarized populace, and a shrinking middle class. But we also believe that success is possible, and we know the power of coalitions, innovation, and concerted action. We need to build upon the financial health movement's strong foundation to create more partnerships, test new innovations, and scale effective solutions.

The first step to finding solutions comes through asking the right questions. In future publications from the Financial Health Frontiers initiative, the Financial Health Network will start this important work, asking questions like:

- ***Can we find common ground to support financial health for the middle class?***
- ***How does financial health vary as we age, and how is it affected by generational experiences?***
- ***What policies and practices support financial health in the face of more costly and disruptive weather changes?***
- ***What are employers' roles in supporting financial health in light of a changing labor market and workplace?***

Through these publications, we will dig deeper into these issues, identify solutions and critical next steps, and galvanize the people who can make a difference. We ask that you join us as we envision a new phase of financial health for America.

Appendix

Calculating FinHealth Scores®

The Financial Health Network developed the FinHealth Score® to provide researchers and stakeholders with a standard metric to understand the financial lives of Americans. The FinHealth Score relies on eight survey questions, two for each financial health pillar: Spend, Save, Borrow, and Plan (see Figure A1). Responses to these questions are used to calculate the FinHealth Score by first assigning scores to the item responses for each of the eight indicators of financial health and then averaging across all eight indicators.

FinHealth Scores range from 0 to 100 and are used to categorize respondents into three financial health tiers. Respondents with scores between 0 and 39 are considered "Financially Vulnerable," and represent consumers struggling with almost all aspects of their financial lives. Those with scores between 40 and 79 are defined as being "Financially Coping," meaning that they struggle with some aspects of their financial lives. Finally, those who score between 80 and 100 are considered "Financially Healthy." People are considered Financially Healthy when they spend, save, borrow, and plan in ways that enable them to be resilient in the face of setbacks and pursue opportunities to thrive.

Figure A1. 8 indicators of financial health.