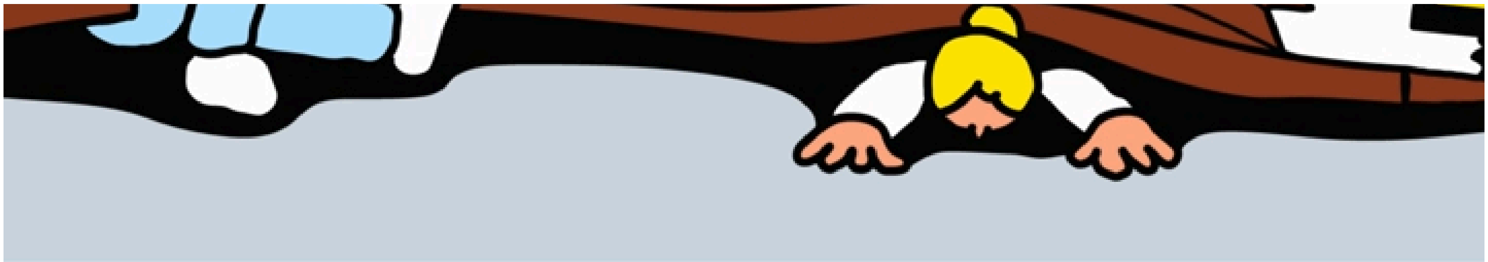

America Has Never Been Wealthier. Here's Why It Doesn't Feel That Way.

A surge in U.S. wealth has been driven by stock and home values. But the gains are concentrated at the top, leaving others in a sour economic mood.

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By Talmon Joseph Smith

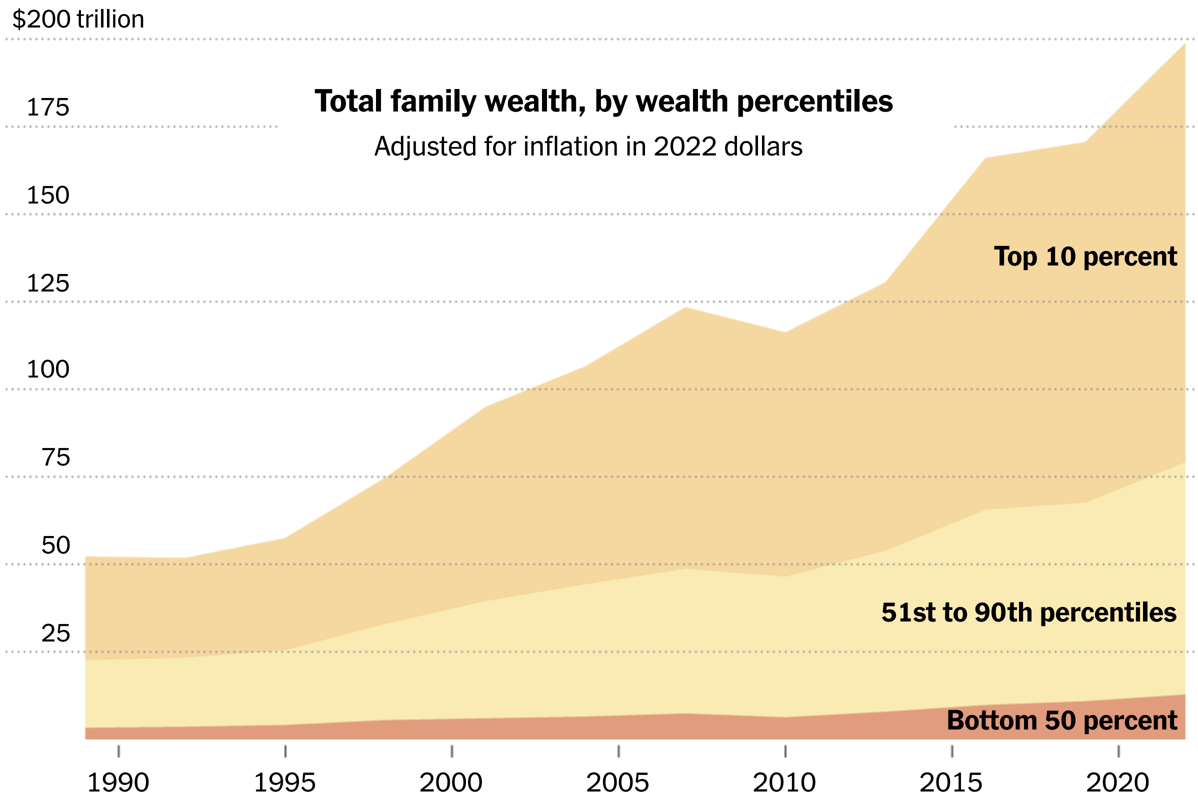
March 31, 2025

America is more prosperous than ever.

U.S. household net worth reached a new peak at the end of 2024. The unemployment rate has levitated just above record lows for three years. The overall debt that households are carrying compared with the assets they own is also near a record low.

But even a land of plenty has its shortcomings, influencing both perceptions and realities of how Americans are doing.

The U.S. economy remains deeply unequal, with vast gaps in wealth and financial security persisting even as inflation has ebbed and incomes have risen. And data designed to capture the overall population may be obscuring challenges experienced by a broad range of Americans, especially those in the bottom half of the wealth or income spectrum.



Note: Data includes families' projected Social Security retirement and disability benefits. • Source: Congressional Budget Office • By The New York Times

The share of wealth held by families in the top 10 percent has reached 69 percent, while the share held by families in the bottom 50 percent is only 3 percent, according to the latest reading from the nonpartisan Congressional Budget Office. (When future income claims from Social Security benefits are included, the bottom 50 percent hold 6 percent of total wealth.)

And while wealth has risen for the less wealthy half of the population in recent years, much of the uptick has been locked up in what financial analysts call "illiquid assets" — gains in home prices and stock portfolios — which are not easily translated into cash to pay for bills and expenses that are much higher than they were a few years ago.

Although the bottom 50 percent holds only a 1 percent share of all financial market wealth, six in 10 adults report owning some amount of stock. A broad range of Americans may be frustrated by the inaccessibility of this illiquid wealth, said Daniel Sullivan, research director at the JPMorganChase Institute, which tracks the finances of millions of U.S. bank account holders.

“‘Massive home equity gains, and my 401(k) is way up, but I can’t touch that, either!’” Mr. Sullivan explained, channeling the tension many people feel.

Source: Federal Reserve • By The New York Times

Despite the growth in overall wealth, economic confidence among American households has not returned to where it was before the pandemic. That was the case even before consumer sentiment readings — along with the stock market — were dampened by the prospect of an inflationary global trade war from President Trump’s tariff campaign. But what is also striking in the data is the increasing gap in perceptions along income lines.

Over the past four years, the University of Michigan’s monthly survey of consumer sentiment has shown those in the bottom two-thirds of income to be deeply pessimistic about the economy — with rock-bottom ratings more common during periods of deep recession, including the 2008 financial crisis.

Consumer sentiment by income terciles

University of Michigan Index of Consumer Sentiment

120
110
100
90
80
70
60
50

3-month moving average

1990 1995 2000 2005 2010 2015 2020 2025

Consumers' **optimism** or **pessimism** about the economy and their financial future.

Source: University of Michigan • By The New York Times

In contrast, sentiment among the top third of earners recently rebounded after falling from prepandemic levels.

"Higher-income people drive most of aggregate spending," said Joanne Hsu, an economist and director of the Michigan survey. "They were on an upward surge of sentiment between 2022 and 2024, and that's consistent with their strong spending."

Part of the disconnect may stem from the tendency among economists to track income progress primarily through percentage change rather than dollar amounts.

Even when inflation was peaking around 9 percent and diluting income growth, Ms. Hsu explained, "a 10 percent boost to middle and especially higher incomes is money that feels real, like you can do something with it."

For someone making $100,000, that means a $10,000 raise. But a 10 percent increase at the bottom, perhaps to an hourly wage of $16.50 from $15, "means you're still living hand-to-mouth," she added.

In a recent report, Matt Bruenig, the president of the People's Policy Project, a liberal think tank, evaluated the long-running question in U.S. economics of how many adults are living paycheck to paycheck — a term plagued, he said, by "inherent ambiguities."

Drawing on data from the Survey of Household Economics and Decisionmaking, conducted annually by the Federal Reserve Board, Mr. Bruenig noted that "if we define someone as living paycheck to paycheck if they *either* say they do not have three months of emergency savings *or* say they cannot afford a $2,000 emergency expense," then 59 percent of American adults are "living paycheck to paycheck."

'Loss Aversion'

One force behind the lingering dour mood may be more psychic, more intangible, than economic data can easily detect, according to Chris Wheat, the president of the JPMorganChase Institute.

Less wealthy Americans, both middle and working class, he said, may still be reckoning with "the psychological effect" of the volatility brought about by the pandemic and postpandemic period of 2020 to 2023, which brought both positive and negative swings in cash savings.

Lump sums of direct federal aid in 2020 and 2021 helped tens of millions of households pay down debts, save more of their income and get a brief taste of what living standards were like well above their usual income.

That aid, as expected, ended. And there has been a harsh comedown from those highs.

Inflation-adjusted income and inflation-adjusted spending for the typical household fell significantly from 2021 to 2023, research from the JPMorganChase Institute found, using data from more than eight million bank account holders. In essence, purchasing power decreased.

During the same period, checking account balances remained in a historically healthy position across all income cohorts. Yet cash savings have fallen ever since peaking in 2021.

A variety of goods and services have become more expensive, “but people’s spending habits didn’t change,” Mr. Wheat said.

When financial gravity resumed, lower- and middle-income households that had received aid were forced to resume relying primarily on their labor income to cover expenses.

That, Mr. Wheat said, appears to have prompted a serious case of what both psychologists and economists call “loss aversion” — the human proneness to more painfully feel what has been lost than to notice what has been gained. The earnings growth that most workers captured, to average hourly earnings of $31 in January 2025 from $23 in January 2019, didn’t feel as good as inflation felt bad.

Most economists believe it was appropriate for the extraordinary aid of 2020-21 that enlarged household bank accounts to end. And some argued that it should have ended sooner.

But being nudged back into tighter budgeting again, after gaining more financial breathing room, however briefly, can be “frustrating,” Mr. Wheat noted.

House-Rich(er), Cash-Thin(ner)

Home prices have boomed since 2020. And about half the net worth of the less wealthy 50 percent is in real estate. But the major boost in home prices experienced by owners in this half of the population has often not been felt.

For one, a higher home appraisal cannot cover higher grocery bills. And with interest rates high and housing scarce, it is often infeasible to buy a first home or move to another one.

That, too, is probably suppressing economic sentiment among those with fewer financial resources in their family, Ms. Hsu of the University of Michigan said.

The homeownership rate for adults under 35, which peaked in 1980 at 50 percent, has fallen to 30 percent. Estimates from economists at the National Association of Home Builders in 2024 indicated that about half of American households could not afford a $250,000 home and that a large majority could not afford a median-priced home, now $419,000.

The state of the housing market — largely frozen for about three years — may be dimming the economic outlook of even higher-income families. A large crop of homeowners over the past couple of years have been looking to move, for family or work. Rationally, they cherish their cheap, fixed-rate mortgages from the era of lower interest rates, and catch sticker shock at the prospective monthly payment for a similar home at present rates and prices.

One fascinating divot in the broader personal finance landscape, however, is that elevated interest rates — which have a dampening effect on industries like housing — have given a major personal income boost to millions of households, if only those that have an ability to save (after taxes and expenses).

Research teams at large U.S. banks are finding that these savers are allocating a greater proportion of their cash balances to high-yield savings accounts that earn more interest, a direct result of higher interest rates. Personal interest income hit a record high of $2.1 trillion in January.

So for high-income households, total cash reserves are most likely much higher even if checking account balances are down, a report from the JPMorganChase Institute notes.

For lower-income bank account holders, “it’s not dark, but it’s not quite as rosy,” Mr. Sullivan concluded.

The Shadow of Tariffs

Historically, consumer sentiment tends to improve after an inflation shock, or a recession, with the passage of time during economic expansions. It gives households a chance to adjust to new prices, or a new job market, and move forward.

But a large and diverse group of economists and investors are arguing that the zigzagging nature of Mr. Trump’s tariff campaign is needlessly adding inflation danger and growth uncertainty to the relatively stable path that the economy was on before he re-entered office.

The financial market sell-off this past month and recent plummets in sentiment have “been driven by policy uncertainty largely stemming from tariffs and tariff threats,” said David Lefkowitz, head of U.S. equities at UBS Global Wealth Management.

The president and his advisers, however, have presented any potential recession, or uptick in consumer inflation that may result from their policies, as a price that may need to be paid for the economy to emerge stronger.

Belief in Mr. Trump’s ability to steer the economy played a key part in his election victory. And he promised to lower prices and ease the cost of living upon entering office. But public approval of his handling of the economy is only 39 percent, with just 32 percent of respondents approving of his approach to the cost of living, according to Reuters/Ipsos polling.

Financial forecasters at major Wall Street firms have, for their part, taken their previously low recession probability ratings and raised them significantly.

But several analysts remain focused less on recession calls than on trying to make sense of why so many people are feeling down about their economic lives.

Owen Davis, a labor economist and research fellow at the Siegel Family Endowment — a nonprofit that funds education and work force research — believes that questions of economic dissatisfaction and the constant deliberation in recent years over whether the U.S. economy is, or isn’t, heading into a recession “often get lumped together” in unhelpful ways.

“We need to be able to have two different conversations about the economy,” Mr. Davis argues — one about the overall size, steadiness and direction of “the ship,” and another about its quality.

“We need to be able to distinguish between the question of whether the ship is sinking,” he said, “and the question of whether the accommodations on the ship are adequate.”

Talmon Joseph Smith is a Times economics reporter, based in New York.

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