

Q1 2023 MassMutual Consumer Spending & Saving Index

Commissioned by Massachusetts Mutual Life Insurance Company (MassMutual), this research was conducted online by PSB from August 16-22, 2022 among a nationally representative sample of 1,000 U.S. adults (ages 18+) as well as an additional sample of 500 adult Massachusetts residents.

Current Economic Outlook

The economy is still struggling, and Americans don't think it will get better just yet. A growing subset of Americans feel that the economy will stay the same, suggesting that they may feel the economy has already "bottomed out."

- 52% of Americans believe that the economy will get worse in the next three months, down from 57% last quarter. Meanwhile, the number of Americans who say the economy will stay the same has increased to 24% this quarter, up from 18% last quarter.
- This increase is observed directionally in all age groups but is most pronounced among the Silent Generation (34% this quarter vs 12% last quarter).

Americans don't expect their finances to change much in the next year. However, how Americans experience the current economy varies depending on age. Older Americans are feeling significantly lower levels of stress and higher levels of optimism about their financial outlook than younger Americans.

- 49% of Americans say they expect their finances to stay the same in the next year, up from 41% last quarter.
- 34% of Americans say they feel stressed about their personal finances, down from 41% last quarter. This decrease is driven by Gen X (41% Q1 2023 vs 49% Q4 2022) and Baby Boomers (25% Q1 2023 vs 40% Q4 2022). Gen Z (46% Q1 2023 vs 44% Q4 2022) and Millennials (36% Q1 2023 vs 38% Q4 2022) are just as stressed as they were last quarter.
- 62% of Americans described their current financial outlook as optimistic this quarter, compared to 59% last quarter. This change is not statistically significant. However, there is a statistically significant decrease in the number of Americans who described their outlook as very optimistic (13% Q1 2023 vs 18% Q4 2022) and a corresponding increase in the number of Americans who described their outlook as somewhat optimistic (49% Q1 2023 vs 41% Q4 2022).

Over half of Americans say they would struggle to pay a surprise bill of \$400, with younger generations having the most difficulty in affording this expense.

- 46% of Americans said they would be able to pay a surprise bill of \$400 easily, while 33% said it would be a big hit, and 21% said they could not pay it at all. Younger Americans (Gen Z, Millennials) are much more likely to say paying the bill would be a big hit, or that they could not pay the bill, than older Americans (Baby Boomers, Silent Generation).

Inflation and the recession remain the top concerns for the American consumer, but they are having a smaller impact on American's financial habits than last quarter. Fewer Americans are dipping into their savings and delaying important purchases than last quarter.

- 89% of Americans are concerned about the impact of inflation on their day-to-day finances, compared to 90% last quarter. 81% of Americans are concerned about the impact of a recession on their day-to-day finances, compared to 84% last quarter. While this decrease is not statistically significant, there have been statistically significant shifts in how people rate their level of concern, with responses shifting away from "very concerned" (42% Q1 2023 vs 50% Q4 2022) in favor of "somewhat concerned" (39% Q1 2023 vs 34% Q4 2022) and "not too concerned" (14% Q1 2023 vs 11% Q4 2022).
- 38% of Americans took money out of their savings account in the last three months, down from 45% last quarter and equivalent to what was seen in Q1 2022. Among those who dipped into their savings in the last three months, 55% said it was due to rising costs on everyday items, and 53% said it was to help pay bills.
- 55% of Americans say they are delaying purchases due to inflation, down from 59% last quarter. The most common delayed purchases are cars: 51% of Americans said they are delaying purchasing a car due to inflation, up from 42% last quarter.

Tax Season

Fewer Americans are expecting a tax refund this year, possibly due to the expiration of the Advance Child Tax Credit and COVID stimulus programs.

- The number of Americans who say they are expecting a tax refund decreased from 56% last year to 47% this year, while the number of Americans who say they are not expecting a refund increased from 28% last year to 34% this year. Gen Z and Millennials are more likely to say they are expecting a tax refund than older generations.
- Among those who say they are expecting a tax refund, the number of Americans who say they would be “very inconvenienced” if their refund is delayed decreased from 38% last year to 28% this year, while the number who said they would be “not at all” inconvenienced increased from 27% to 35%, suggesting that Americans might be more financially secure this year than last year.

Retirement Planning

A third of younger Americans (Gen Z, Millennial, and Gen X) say they do not contribute to a retirement plan every month.

- 33% of Americans say they contribute \$0 per month to a retirement plan (e.g., 401(k), 403(b)). A further 19% contributed less than \$250 per month.

When it comes to income during retirement, younger Americans do not have faith in the Social Security system, and instead plan to be self-reliant through 401(k)/403(b) plans.

- Gen Z (42%) and Millennials (39%) are much more likely than Baby Boomers (19%) and the Silent Generation (12%) to say that their largest source of income will be a qualified retirement plan (such as a 401(k) or 403(b)).
- Gen Z (19%) and Millennials (28%) are much less likely than Baby Boomers (46%) and the Silent Generation (47%) to say that their largest source of income will be social security.

Job Security

Despite the recession, Americans still feel fairly confident that their jobs are safe and that they would be able to find a new job if they needed to.

- 20% of Americans say they are “very” or “somewhat” concerned about losing their job. Meanwhile, 40% of Americans said they were “not too” or “not at all” concerned.
- 11% of Americans say they or someone in their household lost their job in the last year, skewing younger (Gen Z 21%, Millennials 16%, Gen X 11%)
- 66% of Americans say they are “very” or “somewhat” confident that they could find a new job that meets their needs within the next year.

Almost half of employed Americans say they would have to reduce their spending on essentials if they lost their job.

- 36% of employed Americans say they would have to cut their spending on luxuries if they lost their jobs, while a further 49% said they would have to cut spending on essentials. Gen Z and Gen X are more likely than Baby Boomers to say they would have to cut spending on essentials.
- Among employed Americans who say they would have to cut their spending, the first areas they would look to cut spending in are dining out (33%), entertainment (19%), shopping (16%), and subscription services (16%).

Life Insurance

Americans are less interested in purchasing life insurance in the coming year than they were last quarter.

- 73% of Americans say they are not planning to purchase life insurance in the next year, up from 64% last quarter. This shift is mostly driven by Gen X (74% Q1 2023 vs 65% Q4 2022) and Baby Boomers (91% Q1 2023 vs 75% Q4 2022).