

Here are 5 middle-class habits keeping Americans cash-strapped in 2024 — how many are holding you back?

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According to [Pew Research](#), the median income of American middle-class households was \$106,100 in 2022, compared to \$256,900 for the upper class and \$35,318 for lower-income families.

The percentage of Americans considered middle class was 51% in 2023, considerably lower since 1971 when it was 61%. Unfortunately, this group's share of total income has shrunk as well. These shifts reflect the modern money struggles experienced by many middle-class families.

But while structural change hasn't been kind to the middle class, this group has also adopted bad financial habits that could interfere with their financial security. Here are five habits keeping middle-class people cash-strapped and struggling.

Lifestyle inflation

Lifestyle inflation occurs when people spend more as their income increases. This phenomenon has plagued millions of middle-class families during the post-pandemic era.

While average wages rose 21.4% between January 2020 and January 2024, the personal savings rate fell from 7.2% to 4% during the same time. Some of the rising wages were eaten up by inflation, but you could argue Americans could have funneled the remainder into [retirement savings](#) or an [emergency fund](#). This data suggests that, on the whole, they didn't.

Wells Fargo economists described a "change in psyche" that has taken place. They wrote, "Coming out of the pandemic, households had a lot of this liquidity to spend, particularly on services, so they've spent at these elevated rates and that has continued ... They're saving less on a monthly basis, they're pulling out money from other assets such as retirement accounts, we've seen a pickup in Buy Now Pay Later, we've continued to see a pickup in credit card usage and so on. I think you're going to keep seeing households spend at the rates that they have."

While income growth is expected and enables additional luxury spending, the best practice is to splurge only after the essentials are taken care of. To avoid spending more as your earnings rise, use any raises to increase your savings and investment contributions instead of spending the extra money.

Short-term thinking

Far too many middle-class people focus on meeting immediate needs, often putting important goals on the back burner. This short-term thinking can cause long-term problems.

Retirement savings should be a key long-term goal, but a [recent AARP study](#) found that over a quarter of people not yet retired don't believe they will ever retire. This is obviously unrealistic due to potential health issues and a lack of opportunities for people in their 80s and 90s. You can't wish away the need for retirement savings without being left with regrets.

A lack of emergency savings is another sign of short-term thinking. According to a 2023 study by the [Consumer Financial Protection Bureau \(CFPB\)](#), 39.7% of households could only cover expenses for a month or less in case of an income interruption. Without emergency savings, you are vulnerable if even a minor unexpected problem occurs.

Worrying about your immediate needs is understandable, but you must also find a way to prioritize long-term goals. This could mean significant sacrifices such as downsizing to a less expensive home, but it's better to think long-term and do that as a choice now rather than when you have no options left later.

Not budgeting

A [recent Debt.com survey](#) found that more Americans are budgeting. If you're not one of them, it could be holding you back. Living without a budget means you don't have a roadmap for where your money will go. It doesn't have to be painful. You can make a detailed budget and assign a purpose to each dollar, or you can also use a more straightforward strategy, such as a [50/30/20 budget](#). The right approach depends on your goals and spending habits, but having no budget is always the wrong choice.

Not tracking your spending

Tracking spending is a way to hold yourself accountable and ensure you aren't devoting too much money to things you shouldn't buy. If you're not keeping track, you might be shocked to discover how much you spend at restaurants or on your daily latte.

[Tracking spending using apps is easy](#), but you can also use pencil and paper or a spreadsheet to be more hands-on. It's the best way to understand if you're using your money wisely.

Relying too much on debt

Finally, far too many middle-class families rely on debt to make ends meet.

Research published by the [Federal Reserve Bank of Chicago](#) in December 2022 revealed that "a growing number of middle class and poor families paying average interest rates on credit cards of more than 15% are also facing monthly debt payments of more than 30% of their monthly disposable income."

Further, higher monthly debt-to-income ratios and credit card interest rates makes people 15% less likely to save for important future goals, such as college or medical expenses.

Taking on debt seems normal when everyone around you reaches for credit cards, but it limits your ability to use your future income to get ahead. It's best to avoid borrowing unless you're using "good" debt like a mortgage to make a purchase that has the potential to increase your net worth.

The good news is you can find ways to break all five bad habits once you know how badly they can damage your middle-class household. If you're guilty of these behaviors, you can start making positive changes today.

