

October 30, 2023

Santander US Paths to Prosperity

Financial Prosperity in America:

Headwinds test the resiliency of middle-income households as new opportunities emerge

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Paths to Financial Prosperity

At Santander, we strive to help consumers achieve prosperity. We commissioned this study to continue our efforts to better understand middle-income Americans' current financial state and future aspirations so we can best support them on their journey. This research series explores the barriers and challenges facing consumers as they work toward achieving financial prosperity, and the tools and support that middle-income households need to get there.

Building upon our Q1 and Q2 studies, this installment focuses on how current economic conditions, such as prolonged inflation, student loan debt payments, and rising interest rates, are impacting these households. It also explores middle-income households' relationships with drivers of prosperity, including building savings, vehicle access, and entrepreneurship.

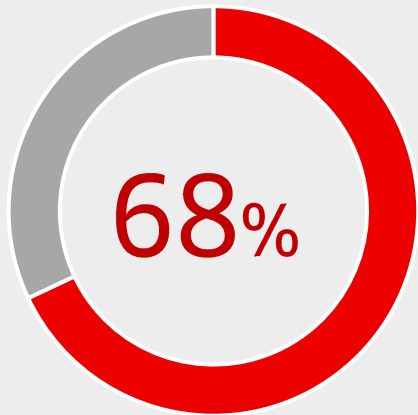
Key Findings

- 1 Americans remain resilient but pressures are mounting
- 2 Confidence in banking is strong
- 3 Few take advantage of rising interest rates on savings
- 4 Financial knowledge on savings is lacking
- 5 Entrepreneurship is a path to financial prosperity
- 6 Pent up demand for vehicles persists

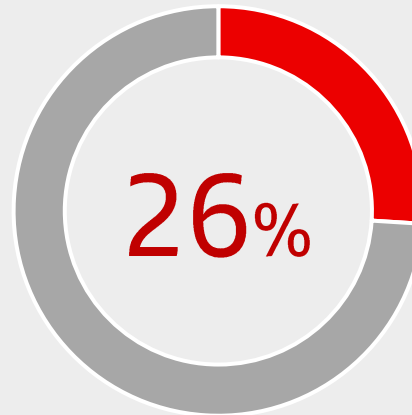
Middle-Income Households Remain Resilient While Facing Headwinds

Americans' outlook holds steady from Q2 to Q3 despite headwinds

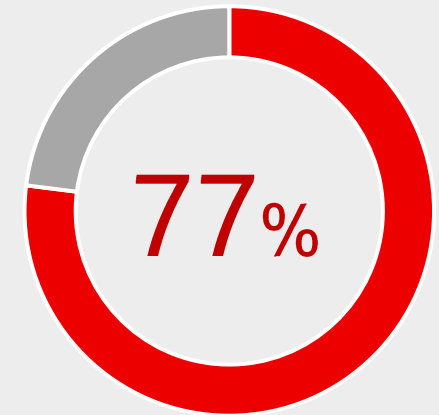
Job security is the top reason for optimism, while those who lack confidence cite lack of savings and debt.



say they're **on the right track toward achieving financial prosperity**, unchanged from Q2.



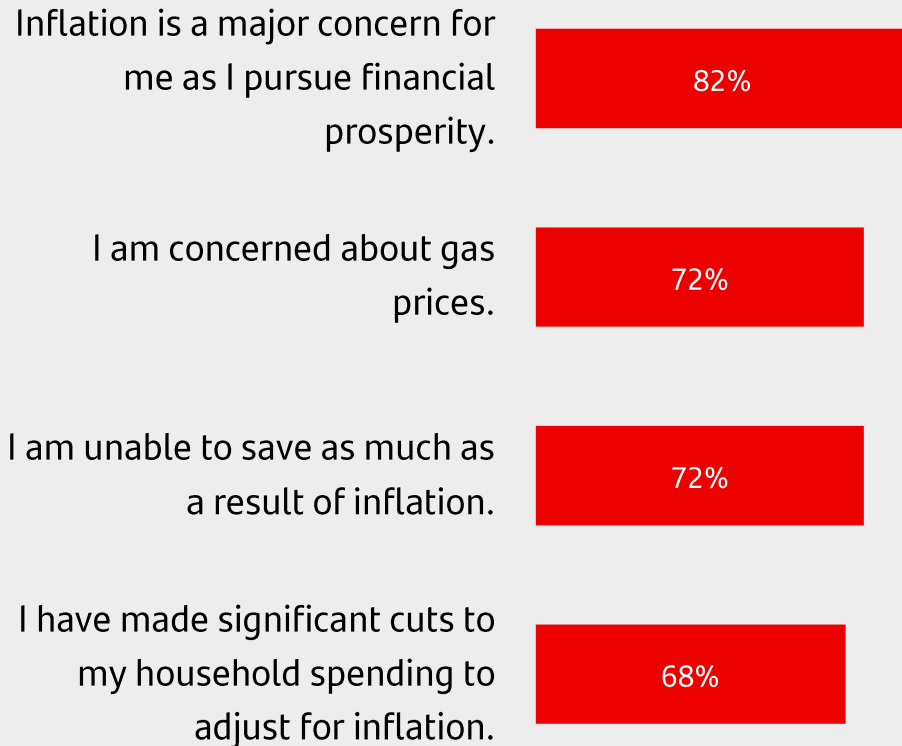
say they feel **financially insecure**, holding steady from Q2.



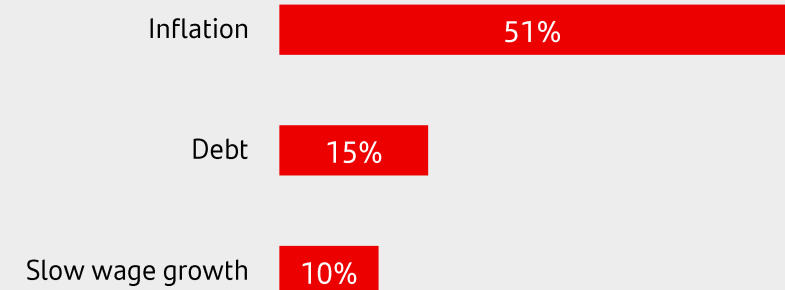
believe they can **become financially prosperous within the next 10 years**, slightly down from Q2 (79%).

Inflation and debt top list of financial worries

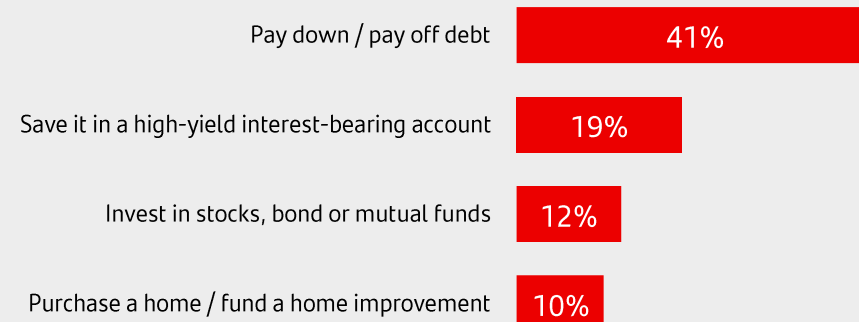
Top concerns related to inflation



Top obstacles to financial prosperity

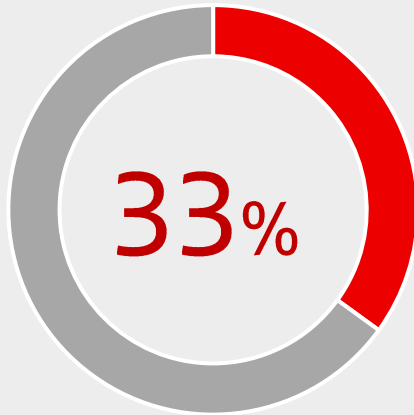


Top actions if receiving a \$50k inheritance



Resumption of student loan debt payments to impact households

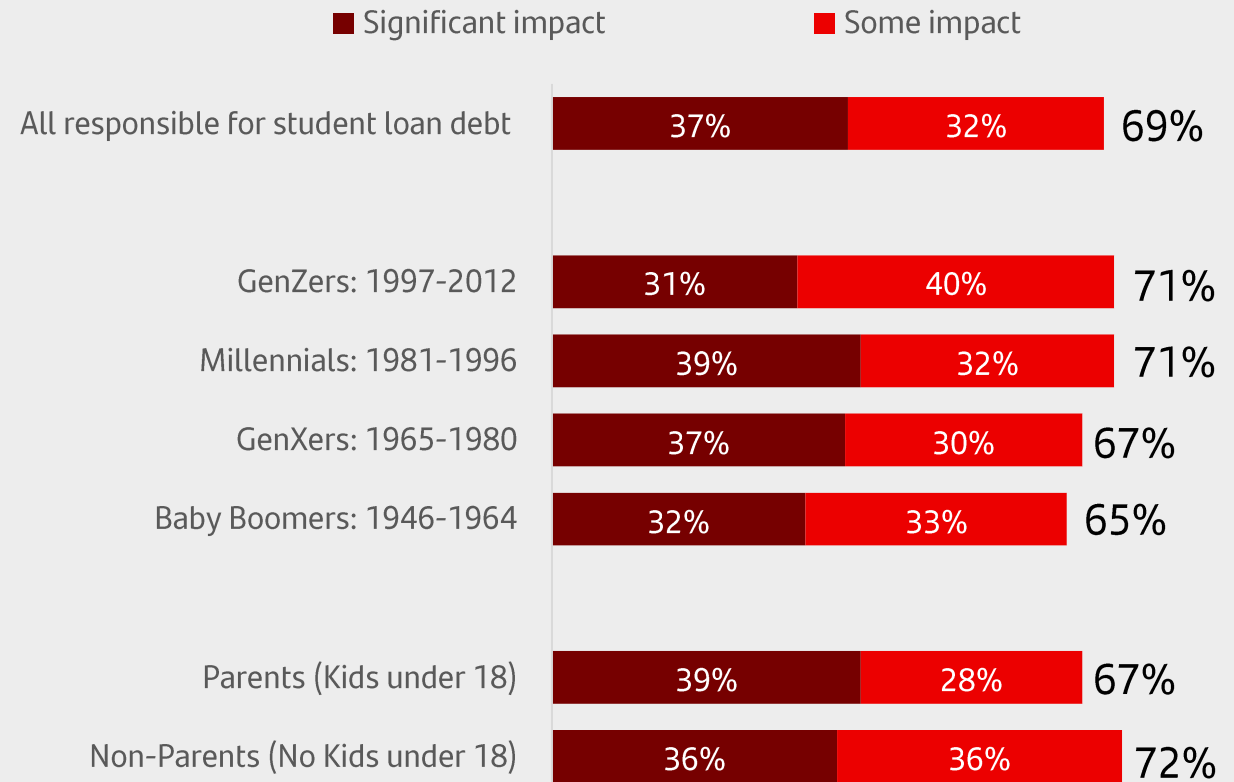
Of middle-income Americans with responsibility for student loan payments, 7 in 10 (69%) say it will impact their ability to achieve financial prosperity.



33% of middle-income Americans have student loan debt (22%) or are helping someone in their household with their student loan debt (13%).

Note: 2% of Americans both have student loan debt and are helping someone in their household.

Impact of Resumption of Student Debt Payments

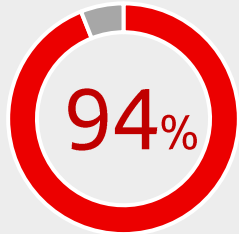


*Respondents were told "The COVID-19 student loan forbearance program ended in August. Beginning on September 1, interest accruals resumed, and payments will be due beginning in October 2023."

Confidence in banks and the overall banking industry remains strong 6 months after banking crisis

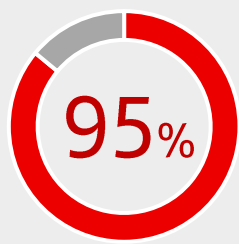
Overwhelming confidence in banking providers and the banking sector

Safety and Stability of My Banking Provider



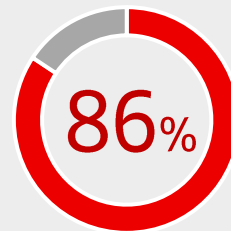
of middle-income customers are confident in **the safety and stability of their banking provider.**

Future Availability of My Banking Deposits

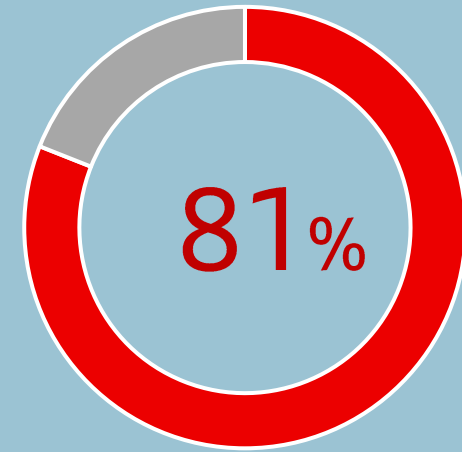


of middle-income customers are confident their bank deposits will be available when they need them.

Stability of Banking Sector



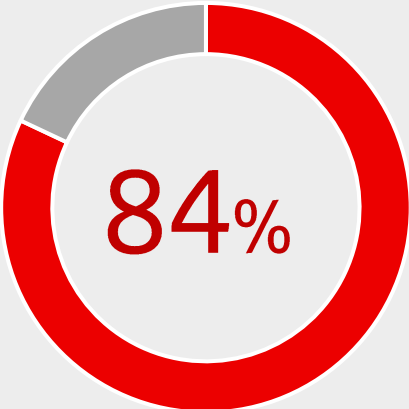
of middle-income customers are confident in **the stability of the banking sector as a whole.**



of middle-income Americans say **proactive communications from their banking providers increase their confidence in their bank.**

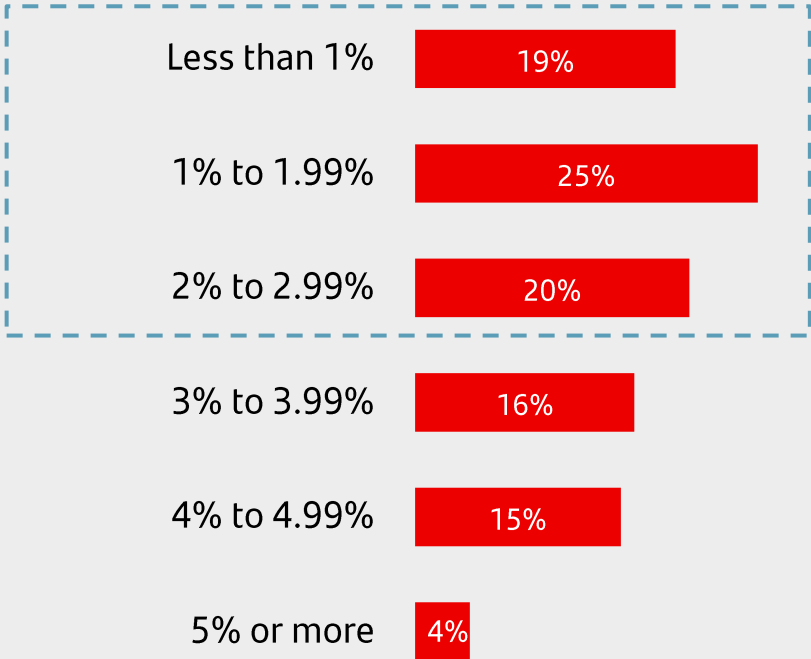
What Consumers Need from
Banking Providers—
Higher Interest on Savings an
Opportunity to Offset Challenges

The majority of middle-income Americans with savings accounts are earning less than 3%



of middle-income Americans say **they have savings accounts.**

Of those middle-income Americans who know what rate they are earning on their primary savings account, **the majority (64%) are receiving less than 3%.**

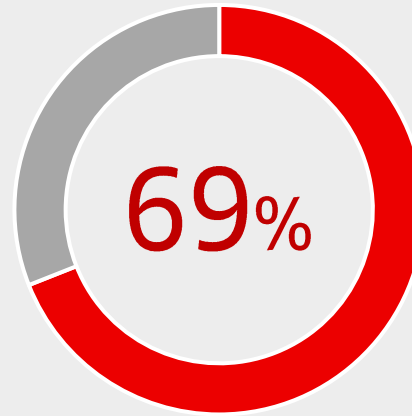


Middle-income Americans show interest in earning more on savings...

Middle-income Americans are interested in moving their money to get higher interest on their savings.



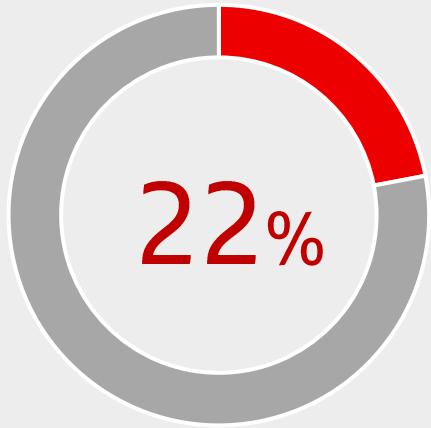
Over half (53%) of all respondents say they are very or somewhat likely to move their money into a higher-yielding savings account in the next 3 months.



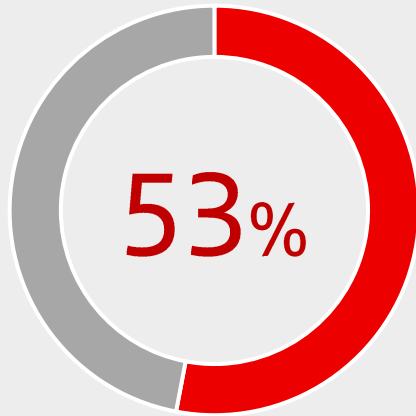
say that higher yielding accounts are **more attractive to them because they are FDIC-insured** and not exposed to investment risk.

... But many lack the financial knowledge and information to do so

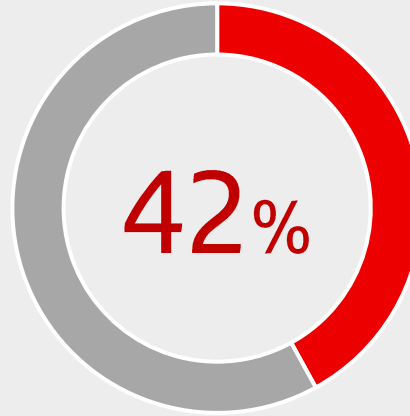
Just 1 in 10 respondents (11%) could answer 4 questions about savings accounts correctly.



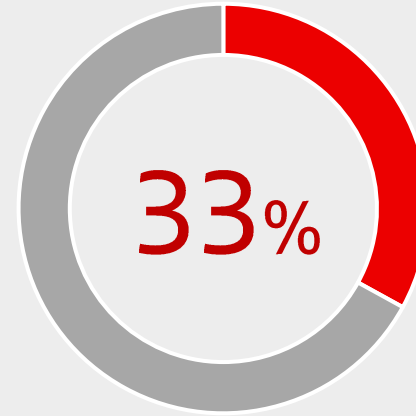
of those with a savings account do not know what interest rate they are earning on this savings



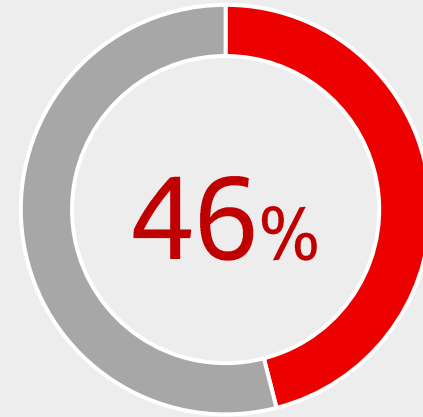
could correctly identify the definition of a Certificate of Deposit (CD)



could correctly identify the definition of a High-Yield Savings Account



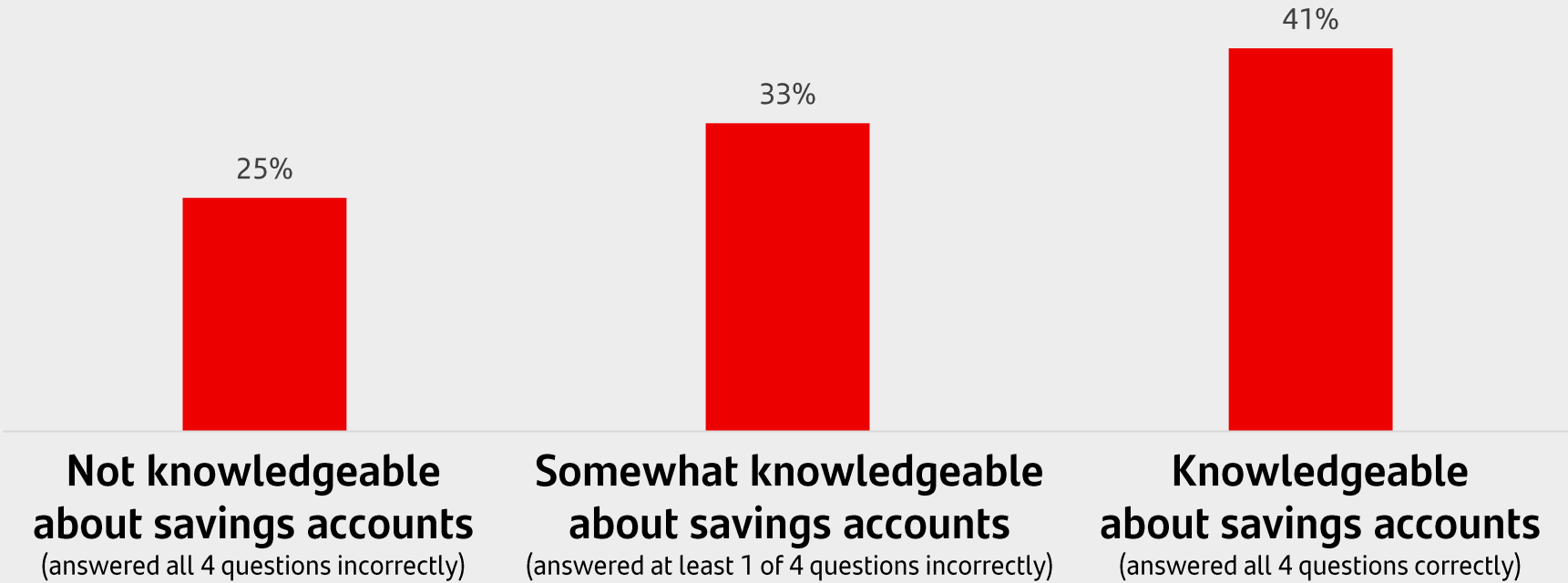
could correctly identify the definition of a Money Market Account



understand the difference between an Interest Rate and Annual Percentage Yield

Those with greater understanding of savings accounts are more likely to be taking advantage of higher rates

Middle-income Americans Who Have Moved Money to Take Advantage of Higher Interest Rates

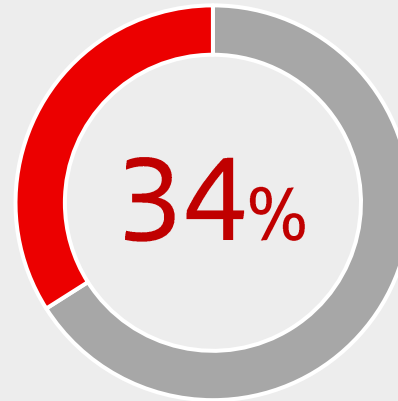
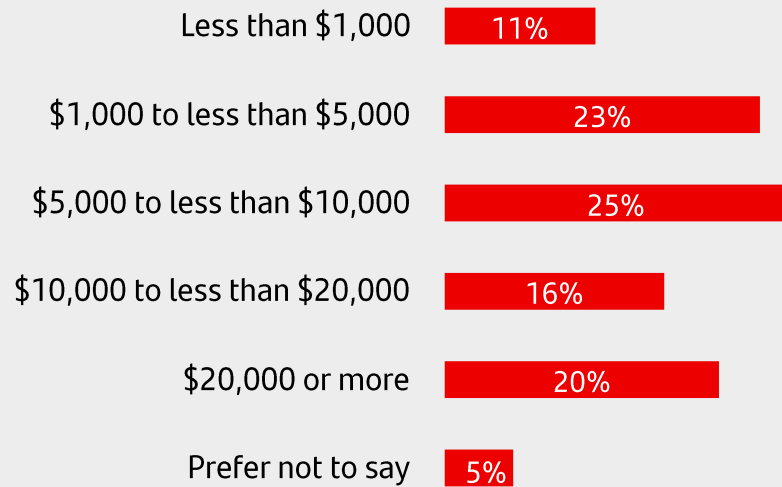


However, overall Middle-income Americans are not taking advantage of rising interest rates on savings

One-third of middle-income Americans moved money into higher-yielding accounts after interest rates began to rise in early 2022, up slightly from 32% in Q2.

Still 66% are not taking advantage of higher rates, with a considerable portion who need education because they either weren't aware rates have increased or don't know how to move money.

Those who did typically moved \$1,000 - \$10,000 over the past year:



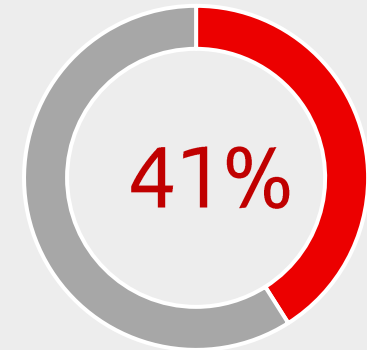
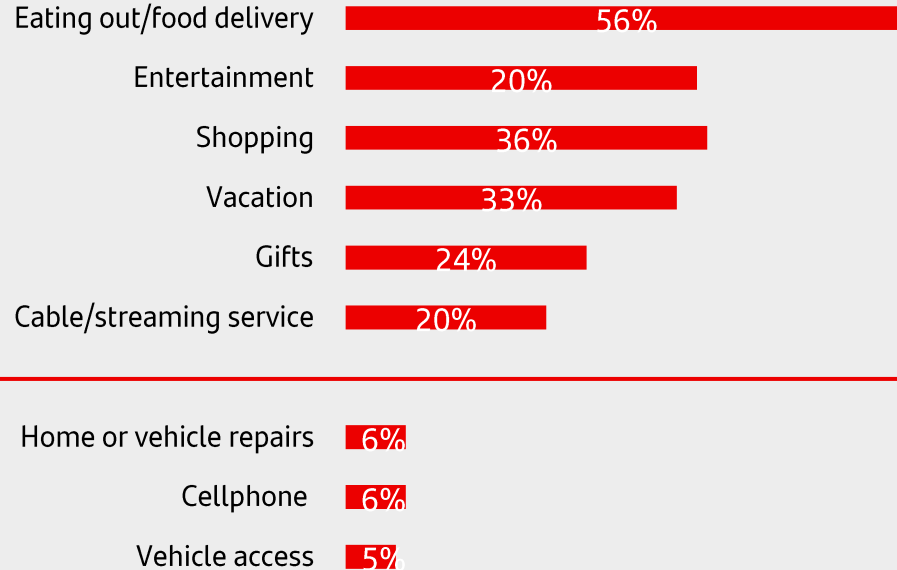
Reasons for not moving money:



Saving and spending behaviors in America

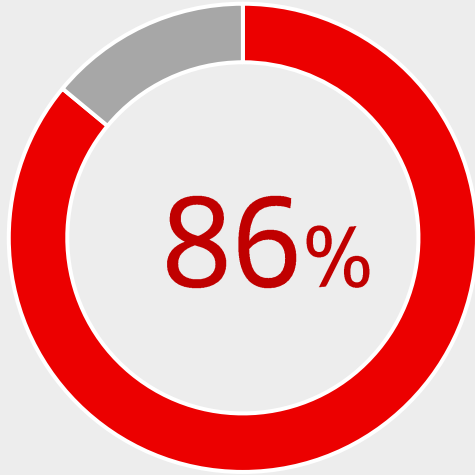
Only one in three (35%) of middle-income Americans consider themselves to be savers, living below their means in order to contribute to their savings.

What respondents most/least likely would give up to increase their savings:

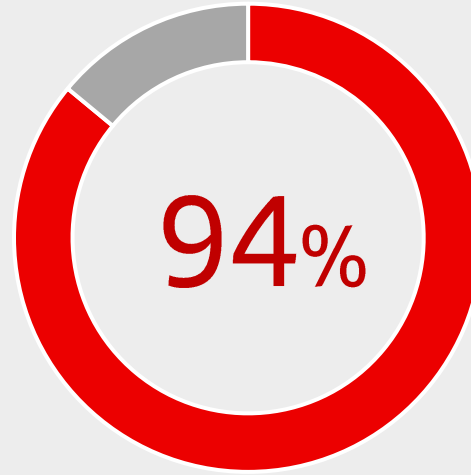


of respondents purchased a lottery ticket in the three-month period prior to the survey, during which a couple billion-dollar jackpots drew nationwide attention.

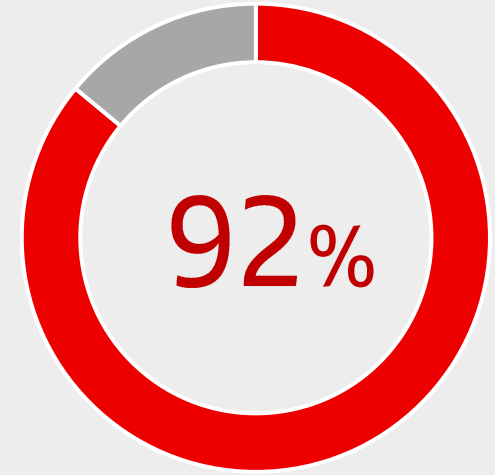
Hybrid banking provides banking customers with the control they are seeking



of middle-income Americans are **completing at least half their banking transactions digitally**. This includes 60% who are completing most of their banking transactions digitally.



of middle-income Americans say **24/7 access via online/digital applications is an important consideration when selecting a banking provider**.

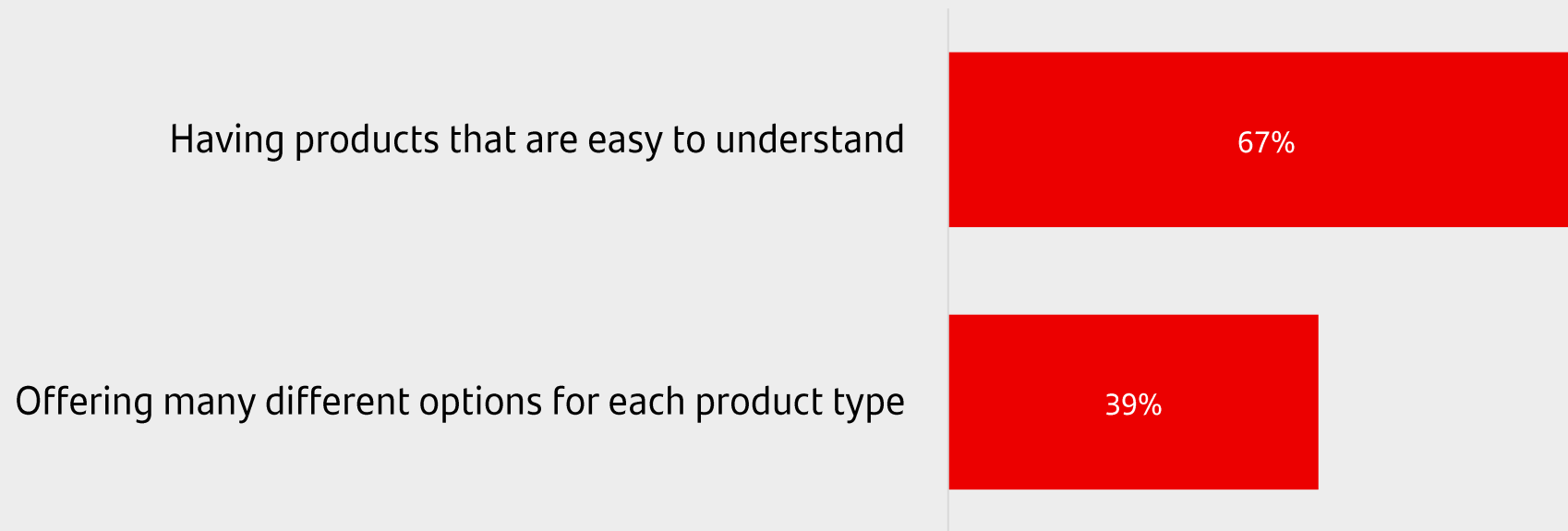


of middle-income Americans say **being able to control when, where, and how they access their bank accounts and services is important to them**.

Middle-income Americans prefer simplified products that are easy to understand over the quantity of offerings

Middle-Income Consumers' Preferences

Percent indicating each factor is significantly important when selecting a banking provider.

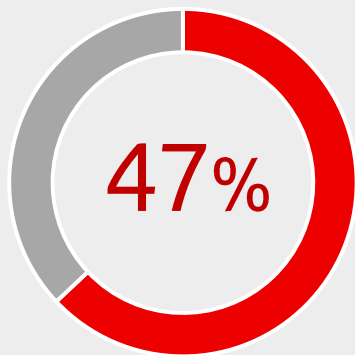


Entrepreneurship: An Avenue to Financial Prosperity



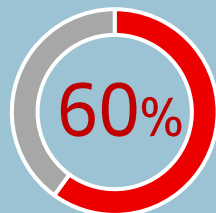
Entrepreneurship is seen as a driver to financial prosperity, but there are barriers to getting started

Nearly two-thirds of middle-income Americans (63%) consider business ownership as an avenue to financial prosperity. This belief is even stronger among Black (74%) and Hispanic (69%) middle-income respondents.

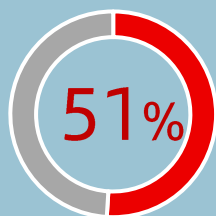


of middle-income Americans expressed interest in starting a business.

However, obstacles remain to starting a business:



... said financing is the biggest challenge to starting a business.



... said they lack the know-how on how to get started with owning a business.

Demand for Autos Endures

Auto access opens up avenues for building financial prosperity



Job-related income continues to be the **#1 driver of financial prosperity** for middle-income Americans.

Auto access is key for middle-income Americans when it comes to their job and the flexibility they need to feel prosperous.



Vehicle access provides them with more flexibility in how they live their lives.

84%

Rely on a vehicle to get to work.

76%

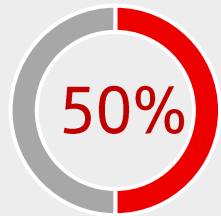
Vehicle access impacts the number of jobs available to them.

71%

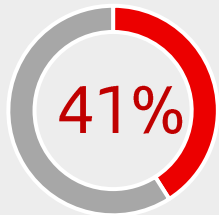
Have daily access to public transportation.

43%

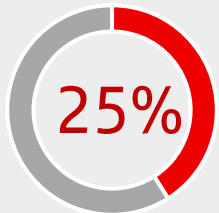
Pent-up demand for vehicles; consumers more likely to purchase a vehicle if financing is available



have delayed purchasing a vehicle (either new or used) in the past year because of the cost.

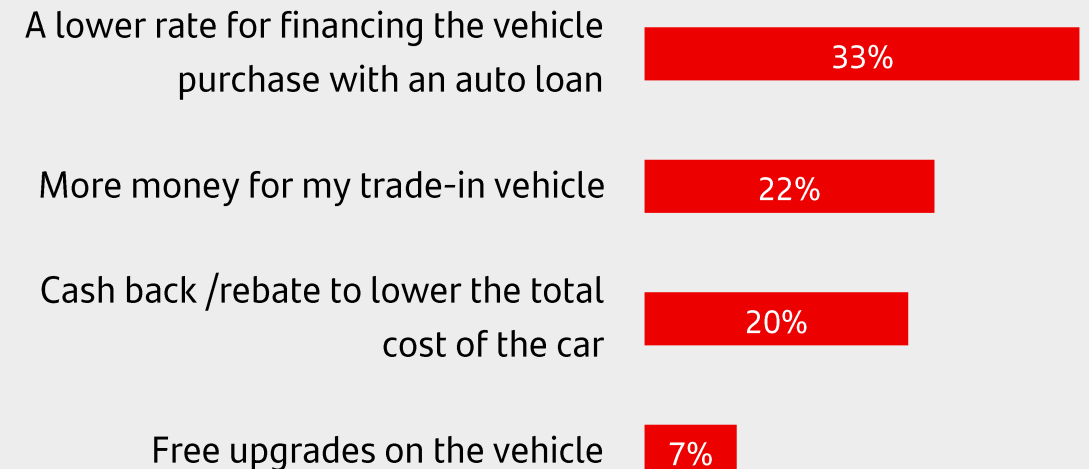


are considering purchasing a vehicle (either new or used) in the next year.



are more likely to purchase a vehicle in the next year if they can secure financing.

Top dealer incentive preferences of middle-income Americans:



Appendix: Methodology



Methodology

This research on financial prosperity, conducted by Morning Consult on behalf of Santander US, surveyed 2,201 American bank and/or financial services customers, ages 18-70.

Survey participants are employed or looking for work and are the primary or shared-decision maker on household finances with household income in the “middle-income” range of ~\$47,000 to \$142,000¹.

This Q3 study was conducted from September 7-8, 2023. The interviews were conducted online, and the margin of error is +/- 2 percentage points for the total audience at a 95% confidence level.

The previous Q2 study was conducted from May 23-24, 2023, and the inaugural Q1 study was conducted from January 19-21, 2023.

The data was weighted to target population proportions for a representative sample based on age, gender, ethnicity, region, and education.

Financial prosperity is defined as thriving financially. Achieving financial prosperity includes being able to cover living expenses, handle emergencies and pursue life goals without significant tradeoffs.

¹ Range based on median household income of ~\$70,800 (U.S. Census Bureau) and Pew Research Center definition of middle-income being two-thirds to double median household income.

Methodology – Definitions for Savings Accounts Questions

Certificate of deposit (CD):

A type of savings account in which the customer agrees to keep their funds in the account for a specified period of time, typically in exchange for a higher rate of interest.

High-yield savings account:

A savings account that generally pays a variable interest rate that is higher than the national average.

Money market account:

A type of interest-bearing account that often pays more attractive interest rates than a standard savings account and typically includes checking account features.

Difference between Interest Rate and Annual Percentage:

An Interest Rate is the rate of interest to be credited to the account and the Annual Percentage Yield is the total percentage of interest earned when factoring in the effect of compounding interest.

About Santander US

Santander Holdings USA, Inc. (SHUSA) is a wholly-owned subsidiary of Madrid-based Banco Santander, S.A. (NYSE: SAN) (Santander), a global banking group with 166 million customers in the U.S., Europe and Latin America. As the intermediate holding company for Santander's U.S. businesses, SHUSA is the parent company of financial companies with approximately 13,700 employees, 4.5 million customers, and \$168 billion in assets, as of December 2022. These include Santander Bank, N.A., Santander Consumer USA Holdings Inc., Banco Santander International, Santander Securities LLC, Santander US Capital Markets LLC and several other subsidiaries. Santander US is recognized as a top 10 auto lender, a top 10 multifamily lender, and a top 10 commercial real estate lender, and has a growing wealth management business. For more information about Santander US, please visit www.santanderus.com.

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