

April 2, 2024

# Santander US Paths to Prosperity

## Financial Prosperity in America:

Financial optimism spreading across middle-income households as Americans adjust spending patterns for higher prices.

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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 four quarters of research, this installment focuses on middle-income Americans' growing financial optimism. It examines how economic conditions—such as inflation, prices and interest rates—are impacting these households and how they are responding. It also explores middle-income Americans' financial relationships with identified drivers of prosperity, including banking providers and vehicle access.

# Key Findings

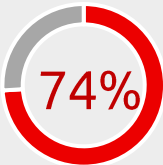
- 1 Financial optimism is growing across middle-income households, with easing concerns over inflation.
- 2 Middle-income households adjust spending to account for higher prices.
- 3 Digital offerings can help consumers take advantage of higher yields on savings.
- 4 Vehicles continue to be an essential part of the lives of Americans as they pursue prosperity.

Financial optimism is growing across  
middle-income households.

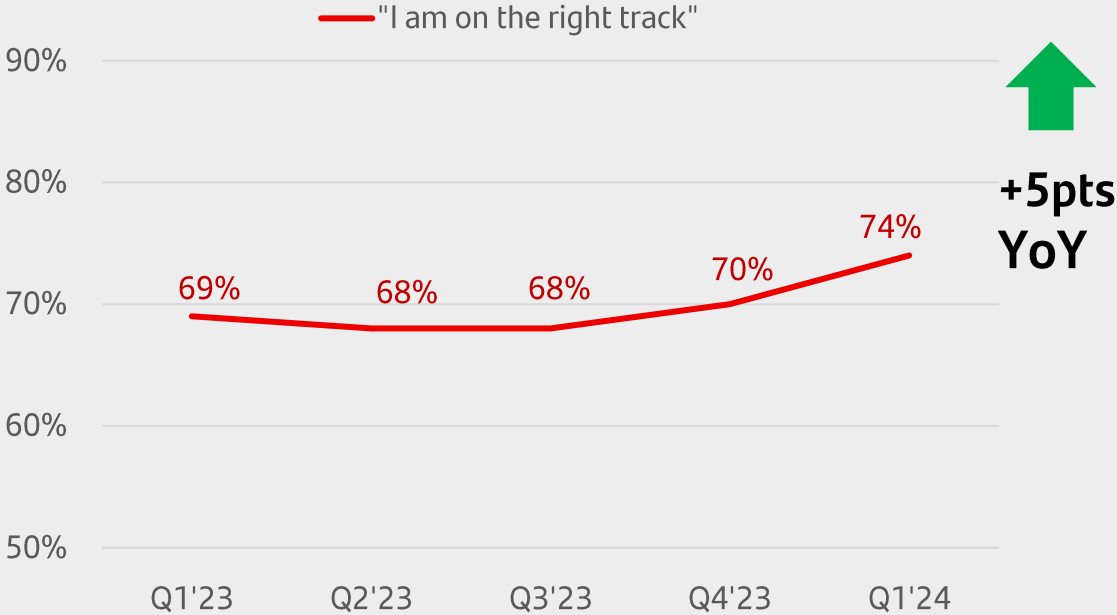


# Americans believe they are on track toward financial prosperity

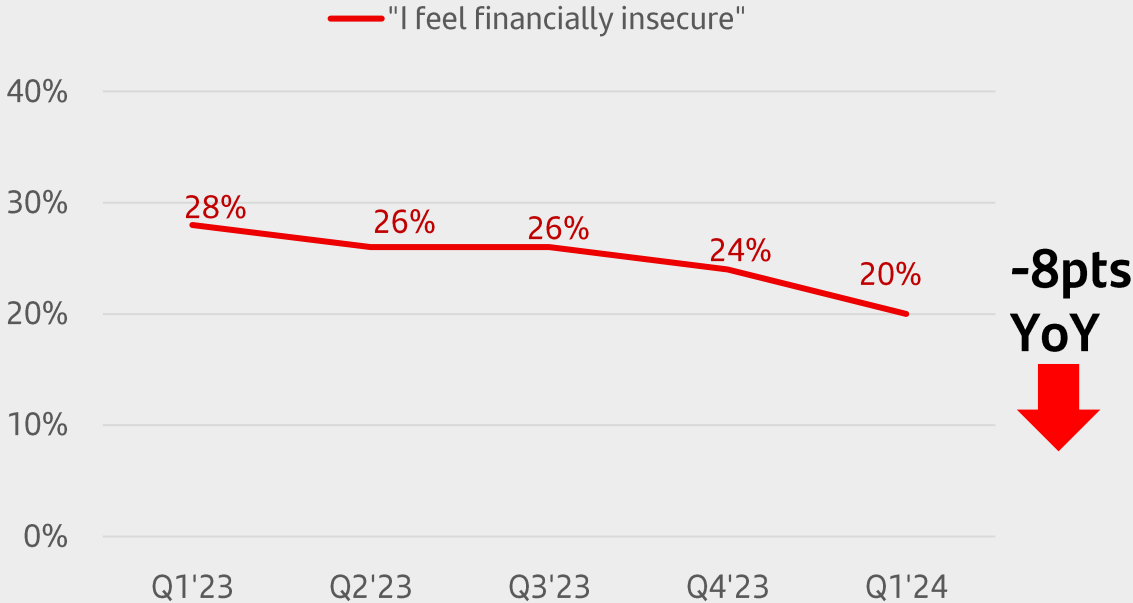
80% of middle-income households believe they will achieve financial prosperity in the next 10 years.



of middle-income Americans say they are on the right track toward financial prosperity.



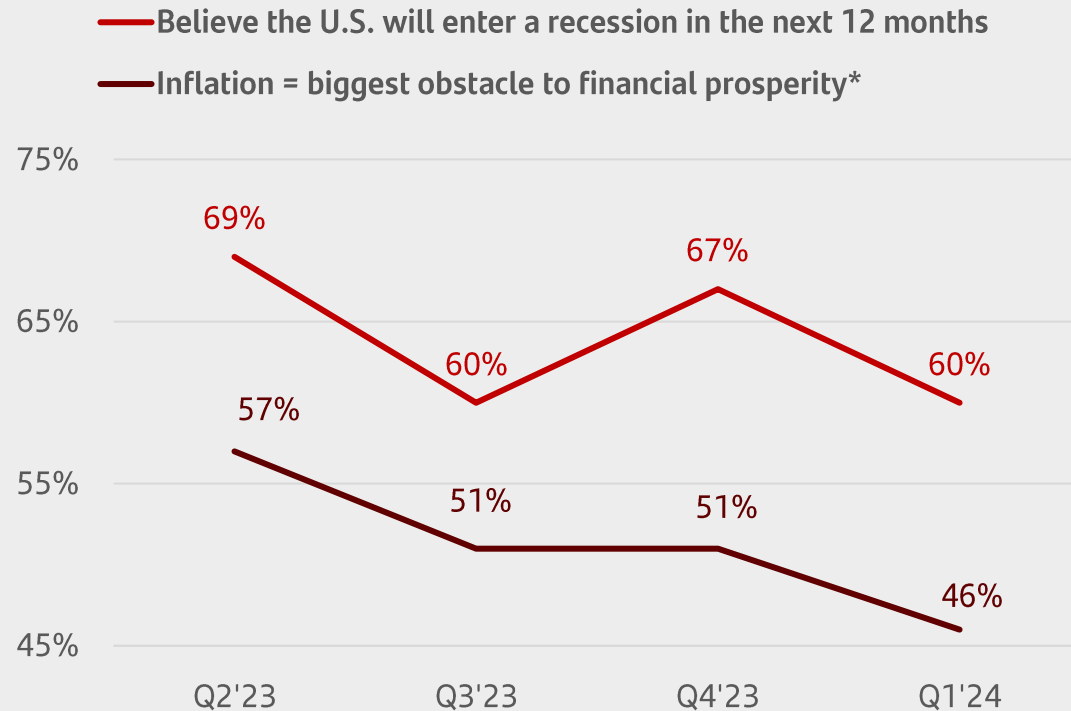
of middle-income Americans described themselves as financially insecure.



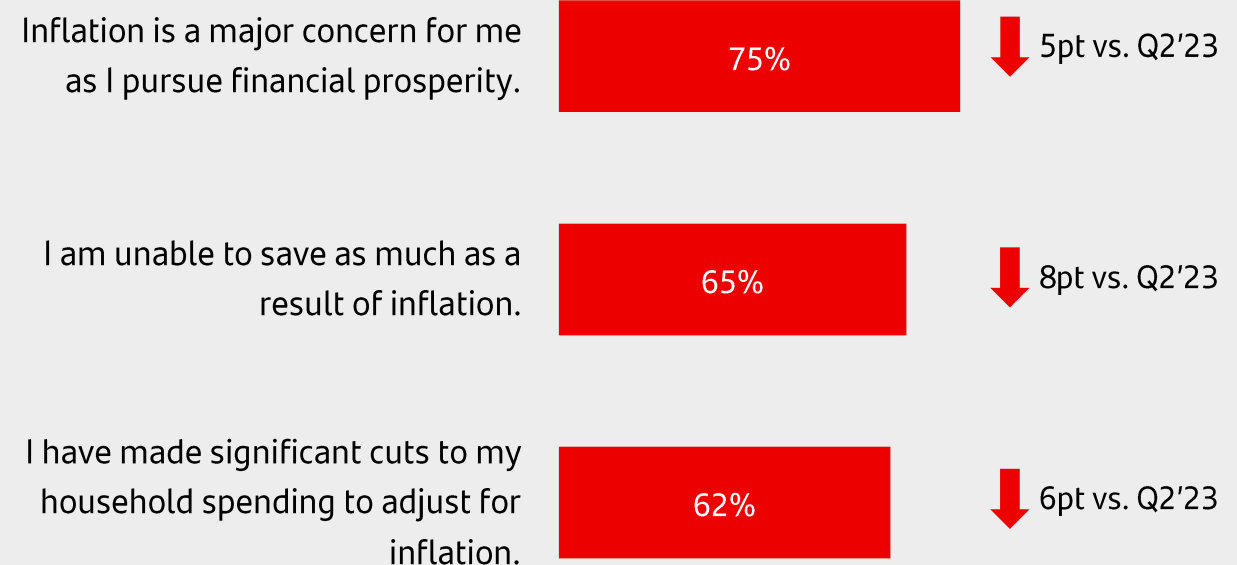
# Concerns about inflation and a possible recession easing

While inflation remains the #1 obstacle to financial prosperity, this is down 11 percentage points from Q2'2023. Meanwhile, 60% of middle-income Americans believe the United States will enter a recession in the next 12 months, down 9 percentage points from Q2'2023.

## Concerns about inflation, recession eased in Q1'2024



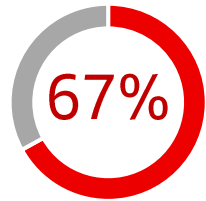
## Inflation concerns and impact of inflation on middle-income households



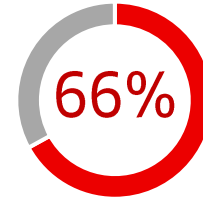
Middle-income households adjust spending to account for higher prices.



# Middle-income households have made spending cuts and delayed purchases to manage higher prices from inflation

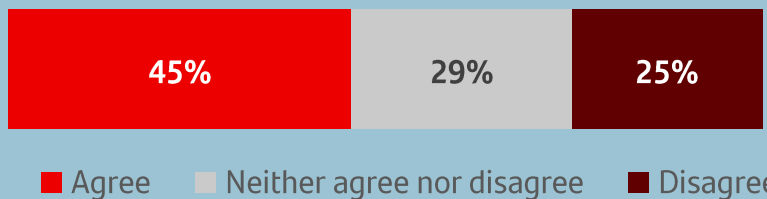


of middle-income Americans have **made cuts in their household budgets** to cope with higher prices.



of middle-income Americans have **not been able to afford as much** because of higher prices.

Percent of middle-income households who feel better equipped to manage increased prices compared to a year ago:



Top 5 purchases\* that have been delayed because of inflation and higher prices for middle-income households:

- 1 Vacations
- 2 Vehicles
- 3 Home improvements / repairs
- 4 Clothing / apparel
- 5 Furniture

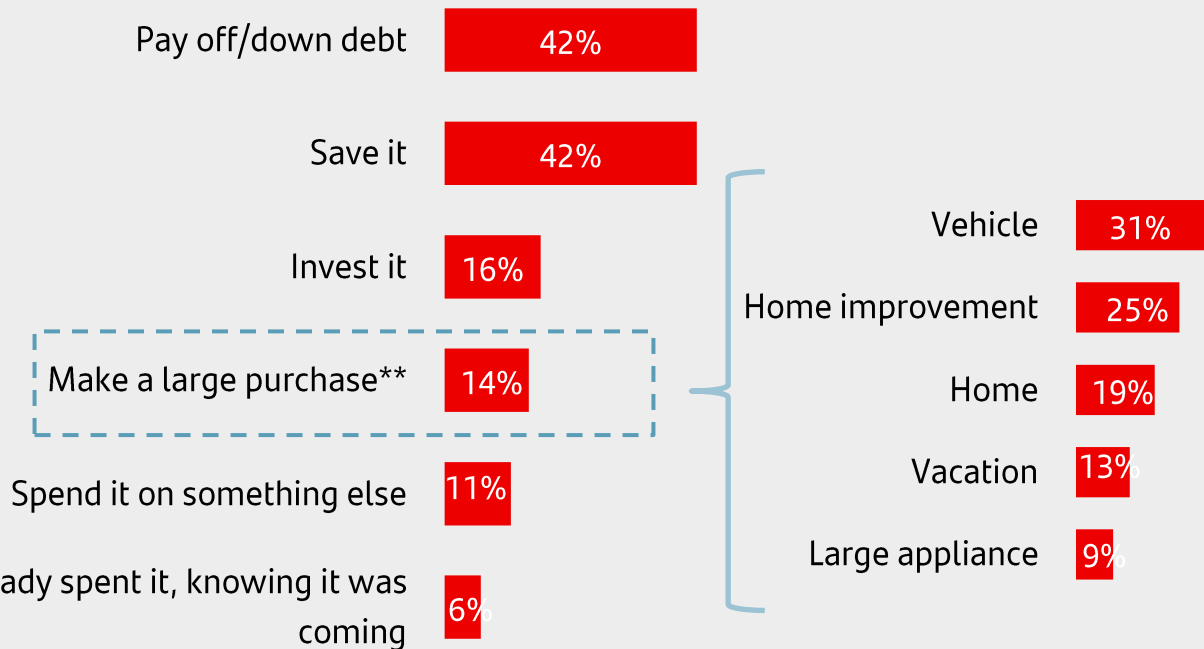
*\*Top response options listed.*



# How Americans plan to use their tax refunds or would use extra income reveals financial and spending priorities

6 in 10 middle-income households (59%) are expecting a tax refund for their 2023 filing.

## How middle-income Americans plan to use their expected tax refunds this year\*:



\*Top response options listed; respondents asked to select all that apply.

\*\*Top response options listed.

## If middle-income Americans were to earn \$300 more a month (after taxes), they would\*\*:

- 1 Save or invest it
- 2 Pay down debt
- 3 Spend it on daily needs such as groceries
- 4 Apply it toward a monthly expense such as a car payment
- 5 Put it toward a home improvement project

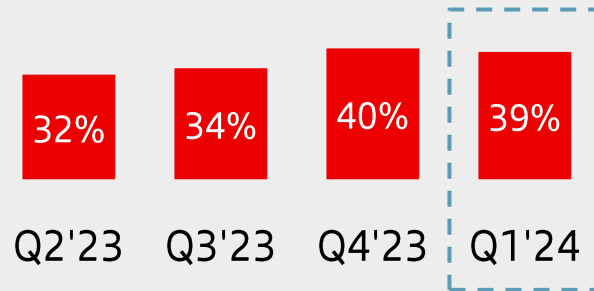
Digital offerings can help consumers  
take advantage of higher yields on  
savings



# Majority of middle-income households missing out on opportunity to grow their savings, as balances hold steady

Of those who know what their current rate is, 56% are earning less than 3 percent.

6 in 10 middle-income Americans have not moved money to earn higher yields on their savings, since interest rates began to rise.



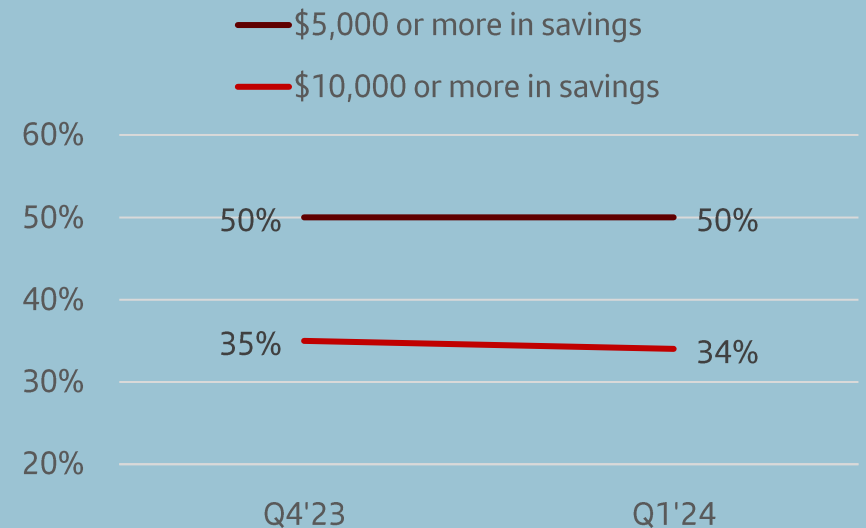
## Do middle-income Americans know their interest rate? What is it?



Of those who know their interest rate, 56% are earning less than 3% of interest on their savings.

26% don't know what they are earning on their savings.

50% of middle-income Americans have \$5,000 or more saved in their primary savings accounts\*.

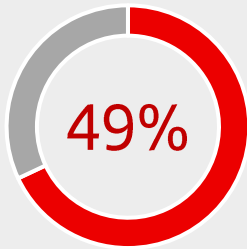


\*Among respondents who provided their balance. \$10K and above included within \$5K and above. Percentages rounded.

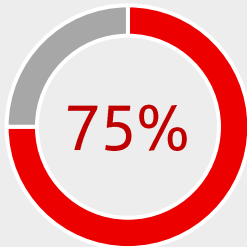
# Digital banking offers convenient option to help facilitate moving money into a higher yielding account

Expectations around how long it would take to open an account may be deterring consumers.

68% of middle-income Americans would consider opening a new savings account to receive a higher rate of interest if the account could be opened in under 10 minutes.



49% of middle-income Americans believe it will take longer than 10 minutes to open an account online.



75% of middle-income Americans believe it will take longer than 10 minutes to open an account in person.

64% of middle-income Americans would be more likely to move money into a higher yielding account if they can do it digitally.



71% of middle-income Americans say banking digitally saves them time.



70% of middle-income Americans say banking digitally is convenient.

# Consumers would consider banking digitally exclusively if it meant earning a higher rate on their savings

62% of middle-income consumers would open an online account with a banking provider with no physical location if they could earn a higher rate of interest on their savings.

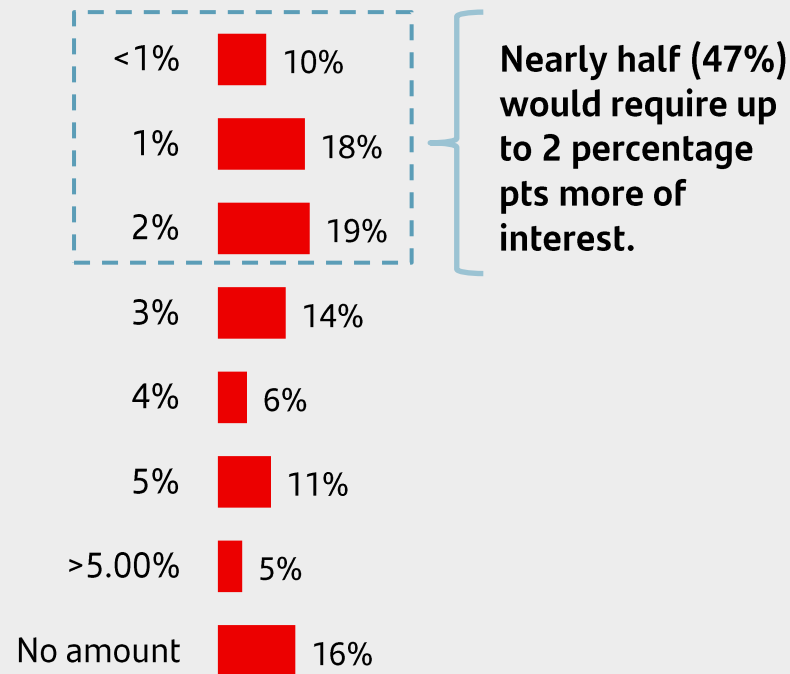
## Financial incentives matter

Features that would increase the likely of middle-income consumers switching to digital-only savings accounts:

- 1 Financial incentives
- 2 Low/no fees
- 3 Ease of use
- 4 Reputation of the banking provider
- 5 24/7 customer service

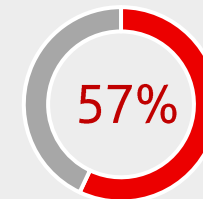
## 2% more

How much more interest middle-income consumers require to open a savings account with a new provider:

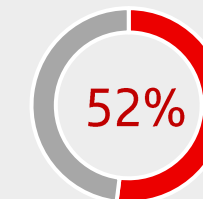


## Simplification helps

Fewer options can help middle-income consumers make decisions on savings accounts:



of middle-income consumers say **having too many bank account options can be overwhelming...** versus 19% who disagree.



of middle-income consumers say **it can be difficult to understand what bank account is right for them if there are too many options...** versus 23% who disagree.

# Consumers prefer digital banking, which saves them time and increases engagement with accounts

85% of middle-income customers are interacting with their bank accounts digitally at least half the time.

## Top 5 most important factors for middle-income customers when considering a banking provider:

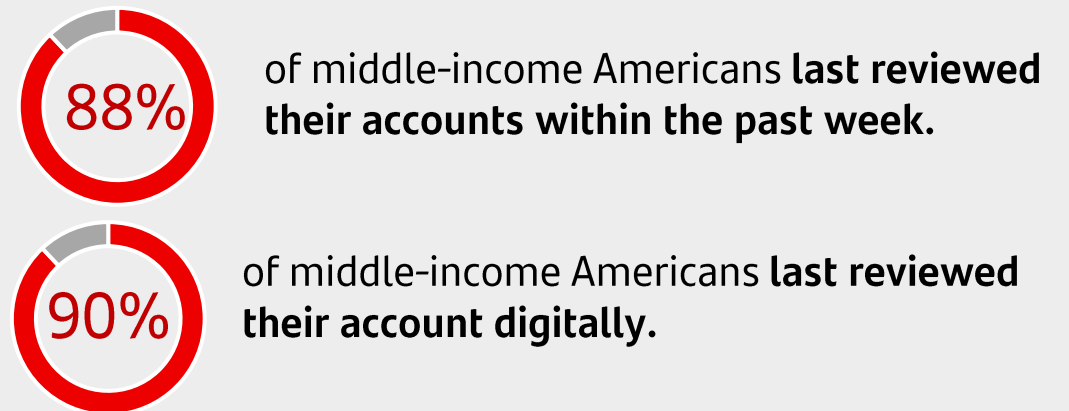
- 1 Being stable and secure
- 2 Providing 24/7 digital access
- 3 Having outstanding customer service
- 4 Offering easy-to-understand products
- 5 Offering competitive rates

Two-thirds of middle-income consumers say completing banking transactions digitally saves them at least 15 minutes:



\* Includes 7% who indicated saving 45-60 minutes, 4% who saved 1-2 hours and 2% who saved 2+ hours.

## Digital banking is leading to high engagement with accounts and account information



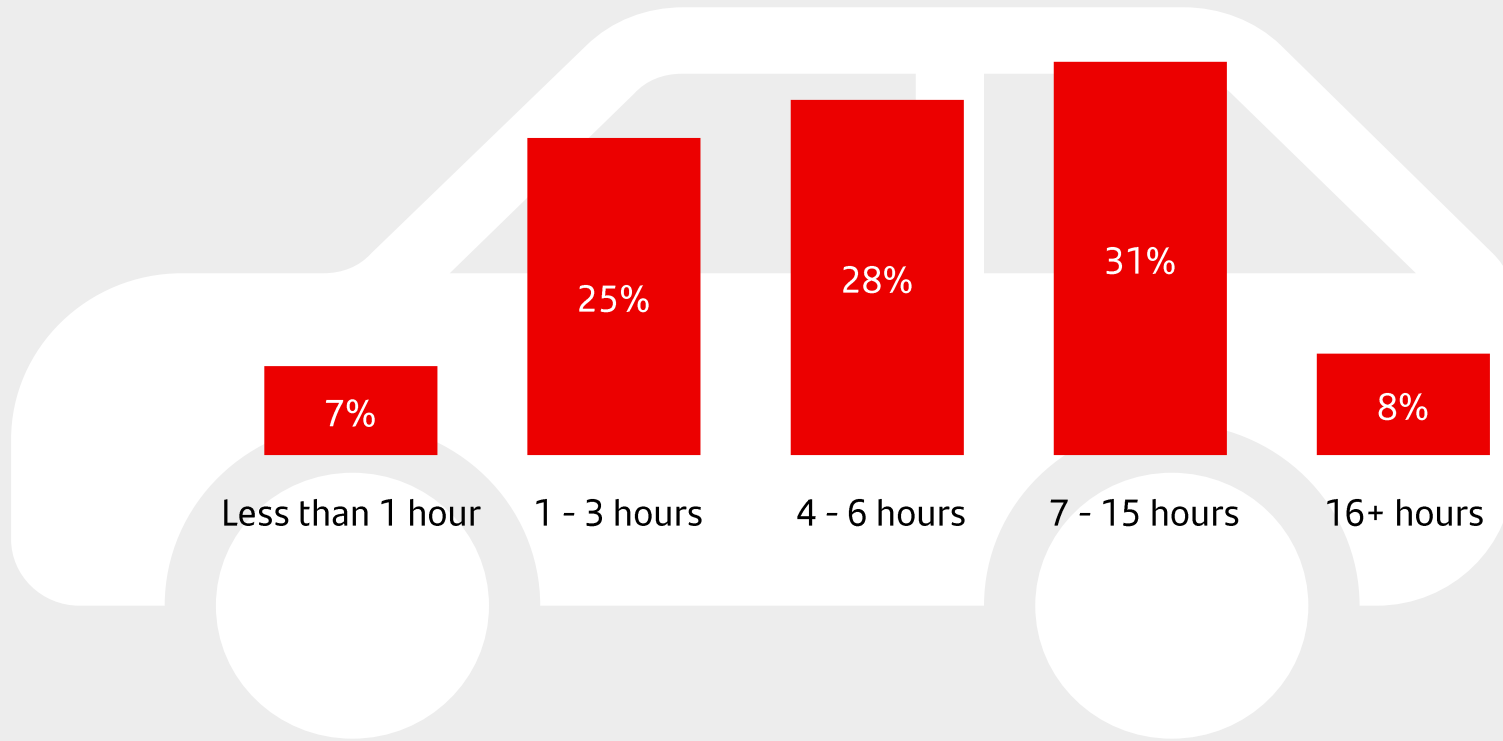
Vehicles continue to be an essential part of the lives of Americans as they pursue prosperity.



# On the road again: Americans spend significant time each week in their vehicles

Two-thirds of middle-income Americans spend at least 4 hours a week in their vehicles, including 4 in 10 who spend at least 7 hours in their cars each week.

Estimated hours per week spent in a car:

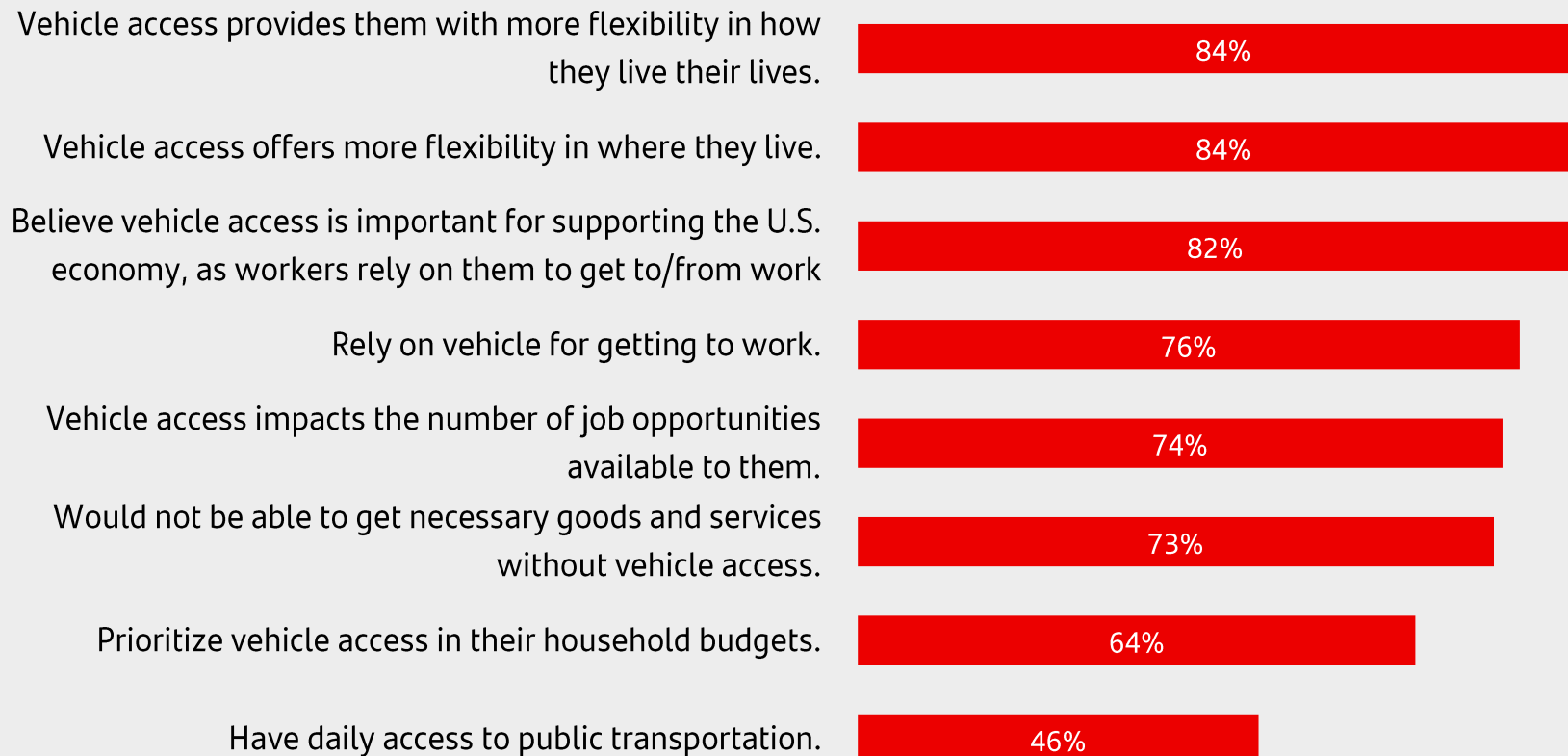




# Vehicle access is an essential part of American lives

Middle-income Americans overwhelmingly rely on vehicles to get to / from work

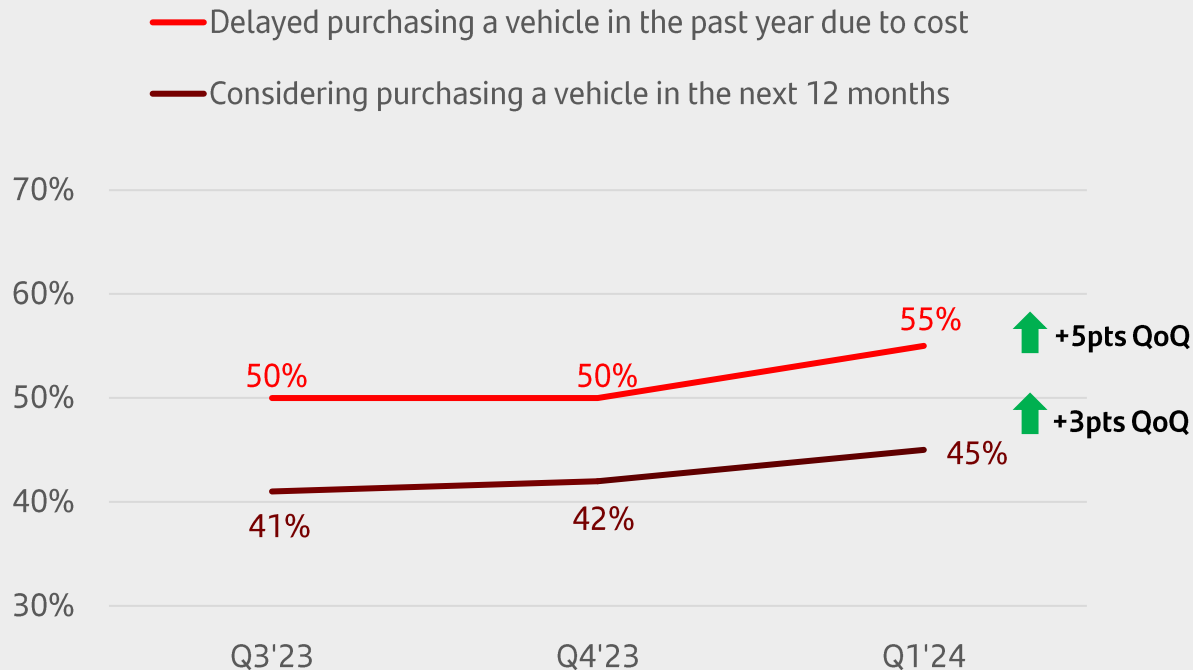
## Middle-income Americans agree on the important part vehicles have in their lives:



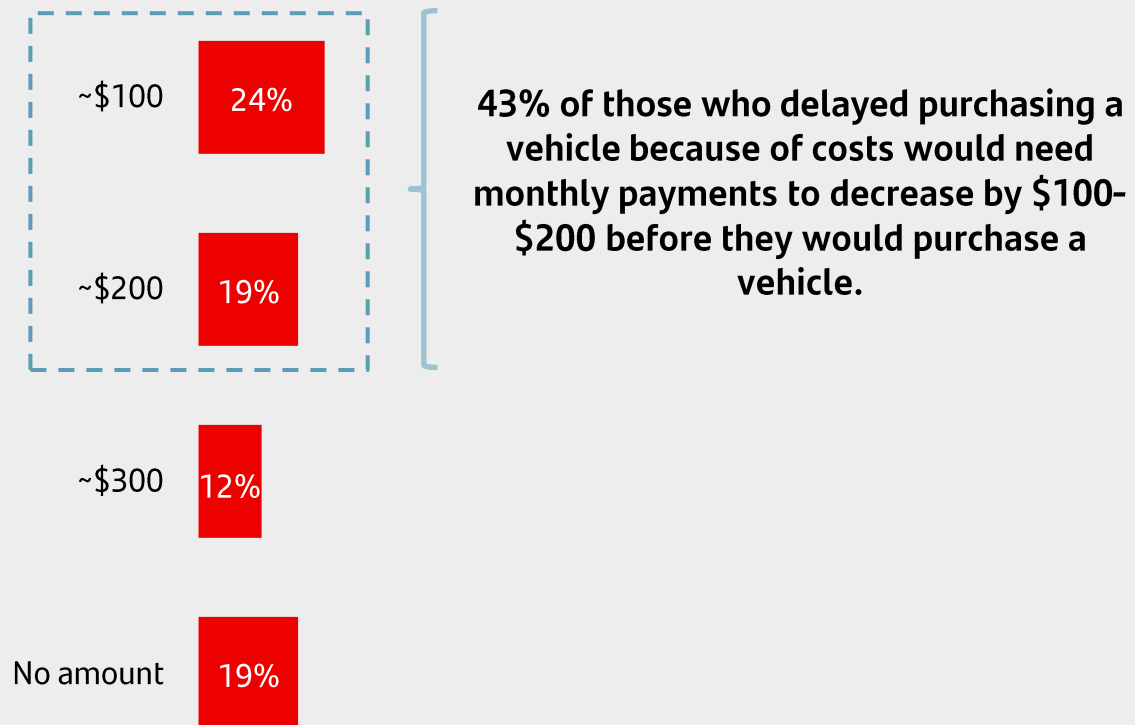
# Pent up demand for vehicles growing as consumers look for costs to come down before purchasing

4 in 10 middle-income Americans would need monthly payments to drop by \$100-200 before purchasing.

## More middle-income consumers considering vehicle purchases in 2024:



## How much monthly car payments would need to decrease before a vehicle purchase\*:



\* Of middle-income consumers who have delayed purchasing a vehicle in the past because of cost.

# Appendix: Methodology



# Methodology

This research on financial prosperity, conducted by Morning Consult on behalf of Santander US, surveyed 2,211 Americans who are bank and/or financial services customers, ages 18-76.

Survey participants are employed or looking for work, own/use at least one financial product and are the primary or shared decision-maker on household finances with household income in the “middle-income” range of ~\$50,000 to \$148,000<sup>1</sup>.

<sup>1</sup> Range based on median household income of ~\$74,000 (U.S. Census Bureau) and Pew Research Center definition of middle-income being two-thirds to double median household income.

This Q1 study was conducted in February 2024. 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 Q4 study was conducted December 2023, the Q3 study was conducted September 2023, the Q2 study was conducted May 2023, and the inaugural Q1 study was conducted January 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.

# About Santander US

Santander Holdings USA, Inc. (SHUSA) is a wholly-owned subsidiary of Madrid-based Banco Santander, S.A. (NYSE: SAN) (Santander), recognized as one of the world's most admired companies by *Fortune Magazine* in 2024, with approximately 165 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 more than 11,800 employees, 4.5 million customers, and assets of over \$165 billion in the fiscal year ended 2023. 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 and a top 10 multifamily bank lender, and has a growing wealth management business. For more information about Santander US, please visit [www.santanderus.com](http://www.santanderus.com).

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