

Economy

Deposit trends: A mild tailwind for “K” shape narrowing

24 June 2026

Key takeaways

- Household deposit balances rose across all income groups in early 2026, boosted partly by larger tax refunds, with the biggest relative increases for lower-income households, according to Bank of America deposit data. This provides a near-term buffer for spending, though these gains are likely to prove transitory as balances typically decline later in the year.
- For younger and lower-income households, these deposits could be drawn down faster this year, reflecting mounting cost pressures. Much will depend on whether the upturn in the labor market and improved lower- and middle-income wage growth we have seen in Bank of America internal data persist through the summer.
- The latest Bank of America Proprietary Market Landscape Insights Study finds that around half of lower-income households describe their finances as "poor" or "terrible." However, in our view, lower gasoline prices, combined with higher deposits, could be a mild tailwind to narrowing the "K" shape in spending growth.

Deposit balances rose more this year than last

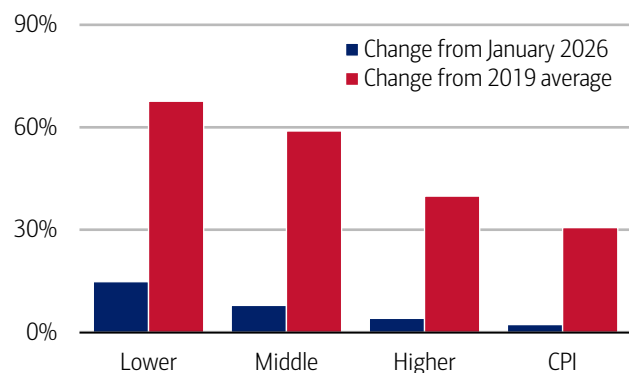
Households across income cohorts have seen a rise in their saving and checking deposit balances since the start of this year, according to Bank of America deposit data. Exhibit 1 shows that the increase in median deposits for lower-income households between January and May 2026 was around 15%, compared to a smaller 4% increase for higher-income households.

An important driver of the rise in deposit balances this year has been higher tax refunds, reflecting stimulus from the One Big Beautiful Bill Act (OBBA). While deposits typically rise between January and May as refunds are paid into accounts, the increase in 2026 has been larger than in recent years.

Importantly, higher-income households tend to hold larger deposit balances in absolute terms than those in the lower- and middle-income cohorts (Exhibit 2). As a result, even though they received larger percentage increases in their tax refunds this year, their deposit balances saw the smallest relative increase across income cohorts.

Exhibit 1: All income cohorts have seen a lift in deposit balances this year

Median household savings and checking balances by income for a fixed group of households through 2026, change since dates shown (monthly, %)

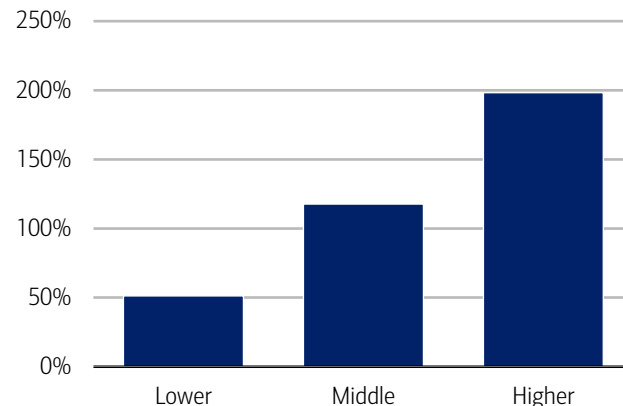


Source: Bank of America internal data

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Exhibit 2: Deposit balances are skewed towards higher-income households

Median household savings and checking balances by household income relative to overall median, May 2026



Source: Bank of America internal data

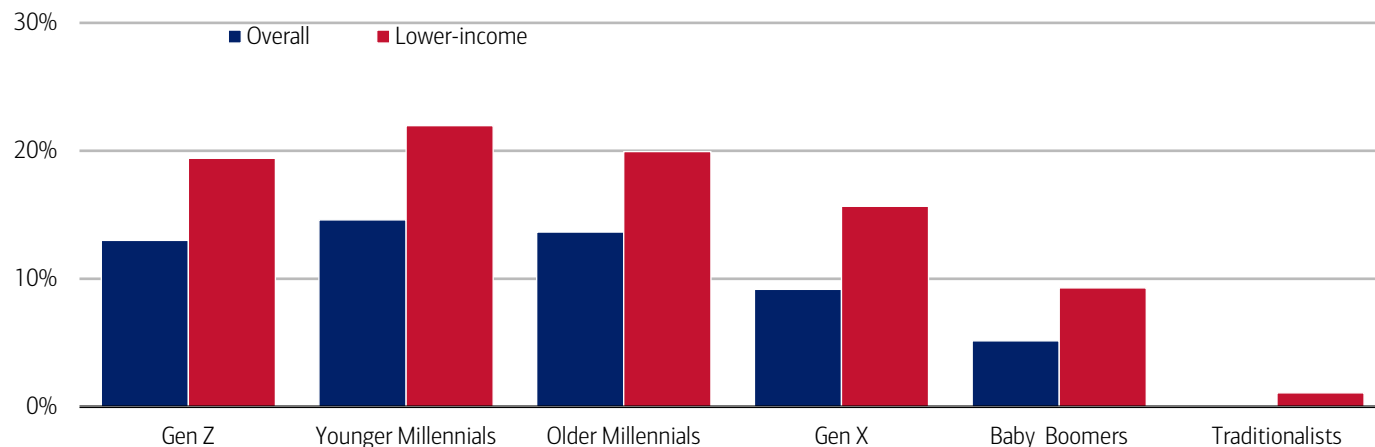
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More broadly, deposit balances across income cohorts also remain significantly higher than in 2019. In May 2026, median deposit balances were nearly 70% above their 2019 average for lower-income households, versus about 40% for higher-income households. While prices have risen a lot since 2019, by around 31% according to the consumer price index (CPI) from the Bureau of Labor Statistics (BLS), there has still been a significant real terms increase in deposit balances according to Bank of America internal data.

Looking across generations, we see the largest increase in median deposits between January and May 2026 among younger and lower-income households (Exhibit 3). Again, this is largely a function of these cohorts having relatively low deposit levels in dollar terms, so their refunds result in a bigger relative lift.

Exhibit 3: Lower-income, younger Millennials saw the largest increase in median deposit balances between January and May 2026

Median household savings and checking balances by income and generation, change January to May 2026 (monthly, %)



Source: Bank of America internal data

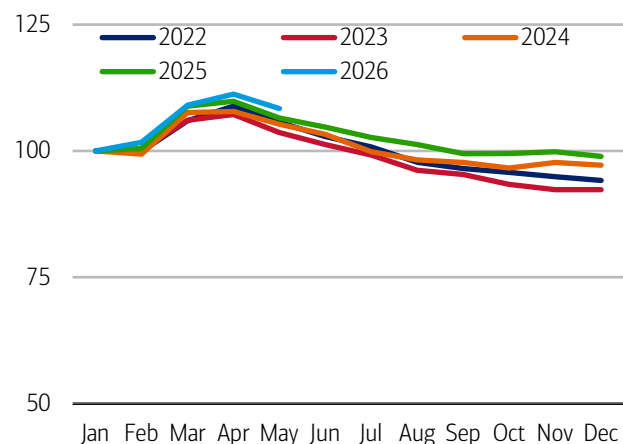
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How might deposit balances evolve?

How might deposit balances evolve from here? There is a distinct seasonal pattern to deposit balances (Exhibit 4). Over the first few months of the year (through April/May), balances tend to rise as deposit inflows exceed outflows. This reflects tax refund payments and, for some households, bonus compensation. Then over the rest of the year, deposit balances tend to drop back as these inflows ease.

Exhibit 4: Seasonally, deposit balances tend to rise over the first months of the year and then decline

Median household savings and checking balances (index January = 100)



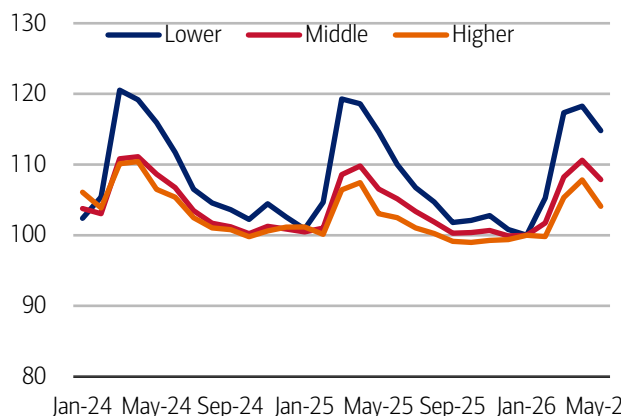
Source: Bank of America internal data

Note: Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through May 2026.

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Exhibit 5: Lower-income households are likely to see elevated deposit levels for longer

Median household savings and checking balances by income for a fixed group of households (index January 2026 = 100)



Source: Bank of America internal data

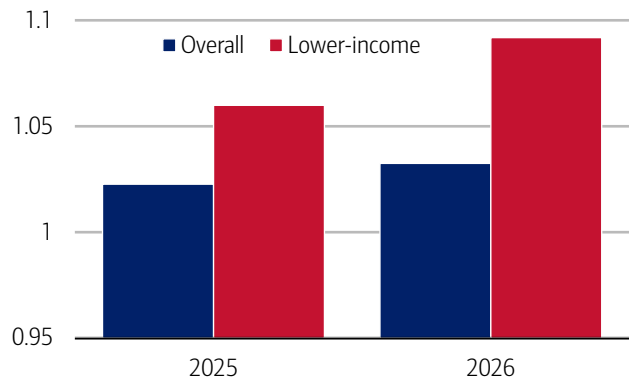
Note: Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through May 2026.

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Exhibit 5 highlights that, across income cohorts, lower-income households tend to receive larger relative seasonal boosts around April/May and, as a result, take longer to decline. In 2025, for example, following the April peak in deposit balances, lower-income households' balances did not return to roughly January levels until December, while higher-income households' balances were back around January levels by around July.

Exhibit 6: Lower-income households have seen a larger rise in account outflows

Outflows as a percentage of average balances for direct deposit accounts (March-May 2025/26, index March-May 2024 = 1)

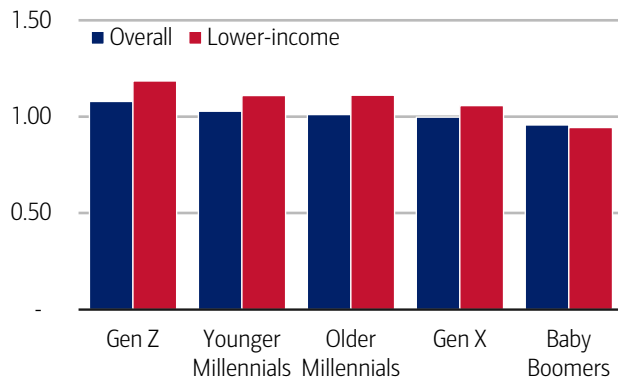


Source: Bank of America internal data

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Exhibit 7: Younger generations (Gen Z and Millennials) have seen the largest rises in outflows

Outflows as a percentage of average balances for direct deposit accounts by income and generation (March-May 2026, index March-May 2024 = 1)



Source: Bank of America internal data

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How likely is a similar experience to play out in 2026? Well, there is some evidence in Bank of America data, particularly for lower-income households, that outflows from direct deposit accounts have risen in 2026 relative to the prior two years (Exhibit 6). If this trend were to continue, a somewhat faster drawdown in deposits could occur this year. When we look across generations, we find that the largest rises in outflows in March through May 2026 have tended to be for lower-income, younger generations (Gen Z and Millennials) (Exhibit 7).

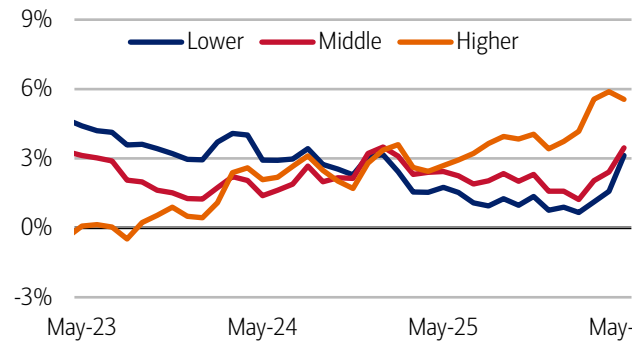
In our view, the main reason for this rise in outflows amongst lower-income, younger cohorts is likely to be increased cost pressures. Higher costs in housing, insurance and (recently) gasoline are likely all playing their part.

But a rise in inflows could balance the rise in outflows

But while a rise in the outflow rate from deposit accounts might imply a somewhat faster drop-back in balances this year than the past few years, this is not a shoo-in yet. One reason: we have recently noted a pick-up in the after-tax wage growth of lower- and middle-income households in Bank of America account data (Exhibit 8); for more on this, read: [The Institute Employment Report: May 2026](#). And we find this rise in wage growth has been fairly consistent across Gen Z, Millennials and Gen X (Exhibit 9) through May 2026. If this improvement proves persistent, then inflows into deposits will also likely pick up, potentially offsetting some, or all, of the higher pressure from outflows.

Exhibit 8: In May, higher-income households' after-tax wage growth rose 5.6% YoY, versus 3.1% YoY for lower-income households

After-tax wage and salary growth by household income terciles, based on Bank of America aggregated consumer deposit account data (three-month moving average, year-over-year (YoY)%, seasonally adjusted (SA))

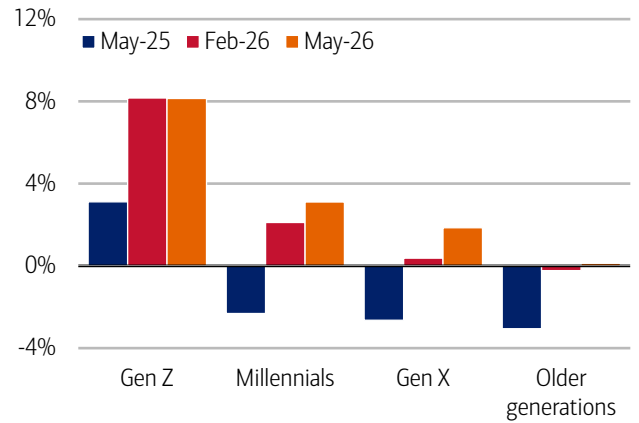


Source: Bank of America internal data

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Exhibit 9: The rise in wage growth is across Gen Z to Gen X

After-tax wage and salary growth for lower-income households, by generation (three-month moving average, YoY%, SA)



Source: Bank of America internal data

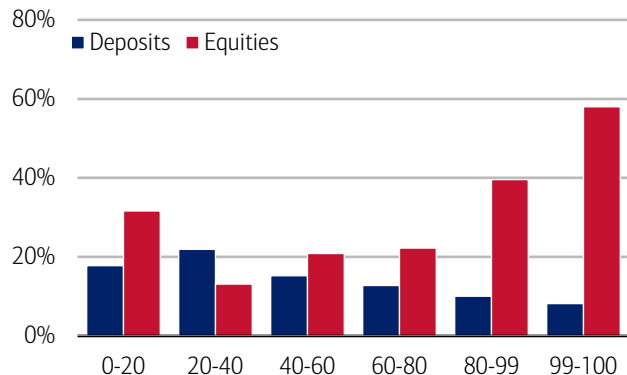
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Why this matters

Higher deposit balances are often thought of as a “good” thing for consumer spending for a number of reasons. Most obviously, higher cash balances represent readily available “liquid” money that consumers can directly draw on to support their spending. More broadly, higher balances may give consumers a measure of confidence in their financial position that leads them to spend more of their existing paychecks, even if they don’t spend down their deposit balances, per se. Finally, higher deposit balances may also mean households’ overall financial assets are higher, again encouraging them to spend through “wealth effects.”

Exhibit 10: Lower-income cohorts hold more of their financial assets as deposits

Proportion of total financial assets held as deposits by income quintile (%)

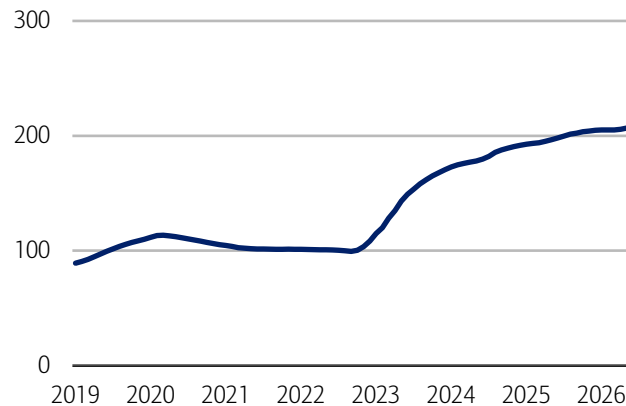


Source: Federal Reserve, Distributional Financial Accounts

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Exhibit 11: Average CD balances have doubled since 2019

Average CD balances in Bank of America internal data (monthly, index 2019 = 100)



Source: Bank of America internal data

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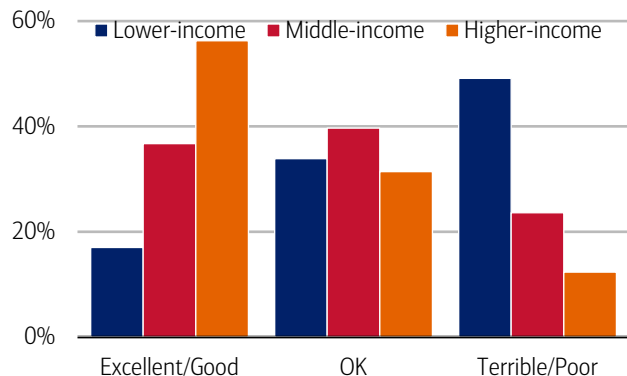
Many of these factors likely matter more for lower- and middle-income households, which tend to hold a larger share of their financial assets as deposits, whereas higher-income households tend to hold more in directly held equities (Exhibit 10). This means movements in equity markets are more likely to impact higher-income households’ perceptions of their financial health and their spending than variations in their deposit balances. Indeed, even within regular savings, higher-income households may hold more of their cash in less liquid forms. In Bank of America deposit data, there has been a large rise in median CD (certificate of deposit) balances since 2019, some of which is likely to be held by households with higher incomes (Exhibit 11).

Help with the “K”?

Lower-income households do not feel particularly good about their finances currently, nor do they expect much improvement in the next six months. The latest Bank of America Proprietary Market Landscape Insights Study finds that around half of lower-income households describe their finances as “poor” or “terrible” and a majority do not expect an improvement in the next six months (Exhibit 12 and Exhibit 13).

Exhibit 12: Lower-income households do not feel good about their finances...

Responses to question, “Thinking about how things are today, how would you rate your finances?”

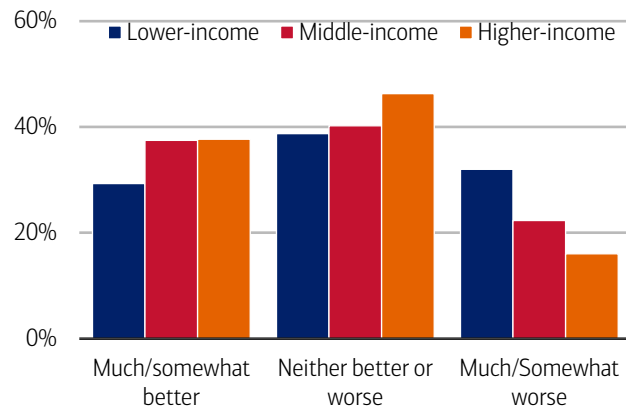


Source: Bank of America Proprietary Market Landscape Insights Study

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Exhibit 13: ...and most aren’t expecting an improvement

Responses to question, “Six months from now, do you think your finances will be better, the same, or worse than they are now?”



Source: Bank of America Proprietary Market Landscape Insights Study

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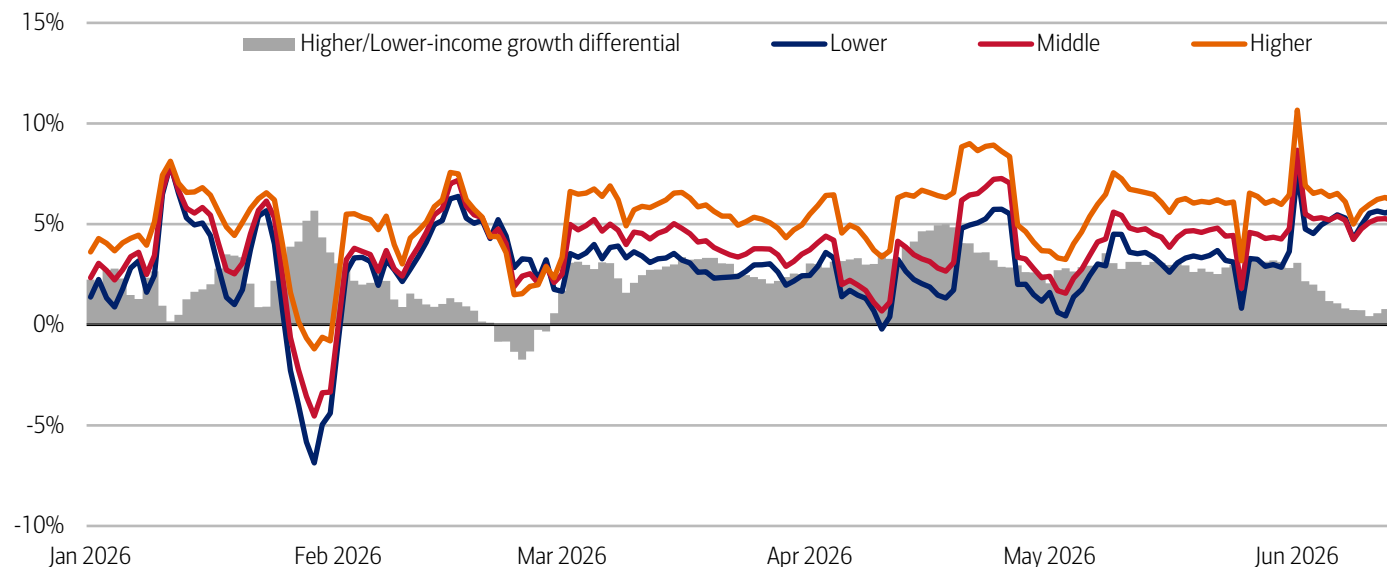
Still, we think the relatively longer-lasting impact of higher tax refunds on lower- and middle-income households' deposit balances, along with the higher sensitivity of their spending to deposit balances, could help narrow the "K-shaped" pattern in spending growth over the rest of 2026. This effect may be reinforced if the recent improvement we have seen in wage growth data is maintained or even strengthens.

Indeed, the gap between higher- and lower-income households' discretionary spending growth already narrowed in May (for more read: [Consumer Checkpoint: Sunny days](#)) and Bank of America weekly card spending data suggests this trend has continued into June (Exhibit 14).

Of course, a lot will ultimately depend on the labor market and, for higher-income households, the stock market. With that said, deposit balances may at least be a mild tailwind to spending for some months yet, particularly if the recent fall in the price of oil translates into a reduced cost shock for consumers.

Exhibit 14: The "K" shape in spending growth has continued to narrow in June

Credit and debit card spending per household on discretionary categories by income (seven-day moving average, % YoY)



Source: Bank of America internal data

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Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under \$5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

The differences between the total and per household card spending growth rate (if discussed) can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.
2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.
3. Overall total card spending includes small business card spending while per household card spending does not.
4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).
5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

Lower, middle and higher household income cuts in Bank of America credit and debit card spending per household, and consumer deposit account data are based on quantitative estimates of each households' income. These quantitative estimates are bucketed according to terciles, with a third of households placed in each tercile periodically. The lowest tercile represents 'lower income', the middle tercile represents 'middle income' and the highest tercile 'higher income'. The income thresholds between these terciles will move over time, reflecting any number of factors that impact income, including general wage inflation, changes in social security payments and individual households' income. The income and tercile in which a household is categorised are periodically re-assessed.

Generations, if discussed, are defined as follows:

1. Gen Z, born after 1995
2. Younger Millennials: born between 1989-1995

3. Older Millennials: born between 1978-1988
4. Gen Xers: born between 1965-1977
5. Baby Boomer: 1946-1964
6. Traditionalists: pre-1946

Any reference to card spending per household on gasoline includes all purchases at gasoline stations and might include purchases of non-gas items.

Bank of America Proprietary Market Landscape Insights Study is an online quantitative survey among Bank of America customers and noncustomers sampled and balanced to provide a representative view of the U.S. adult population. Insights are based on aggregated and anonymized responses to surveys. Dates: 3/3/2026 through 6/17/2026. Sample =10,494

Additional information about the methodology used to aggregate the data is available upon request.

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Sources

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Disclosures

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