

Economy

COLA comfort for older consumers?

27 October 2026

Key takeaways

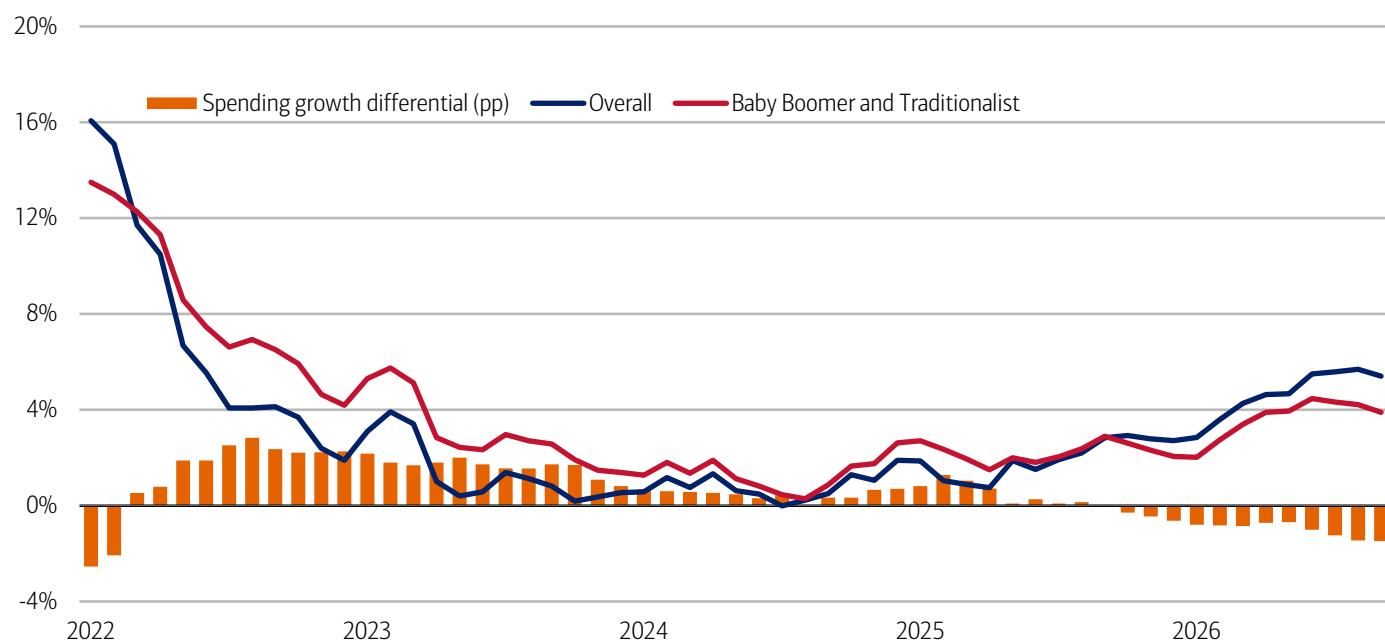
- Older generations' spending growth has lagged other cohorts over the last year in Bank of America aggregated credit and debit card data, despite sizeable wealth gains. This likely partly reflects the highly uneven distribution of wealth among older households, limiting the extent to which rising wealth supports spending across the cohort.
- More recently, stronger consumer spending appears to be primarily a labor-income story. However, older households are less exposed to accelerating wage growth. In addition, large differences in their income sources help explain the considerable variation in spending among this cohort.
- The recently announced 3.6% Social Security cost-of-living adjustment could provide a meaningful boost in 2027. If inflation moderates as expected, benefit increases may outpace price growth, supporting older households' purchasing power and potentially narrowing their spending gap with other generations.

Older generations' spending growth has lagged

While total credit and debit card spending per household has picked up in 2026 in Bank of America internal data, a notable laggard has been the spending growth of older generations (Baby Boomers and Traditionalists). For around a year, discretionary spending growth for these older generations has been lower than that of overall households. This is in stark contrast to 2022-2023, when they were significantly outstripping overall household spending growth (Exhibit 1).

Exhibit 1: Discretionary spending growth has been slower among older (Baby Boomer and Traditionalist) households despite wealth effects

Total credit and debit card spending per household on discretionary categories by older generations and overall (three-month average, % YoY)



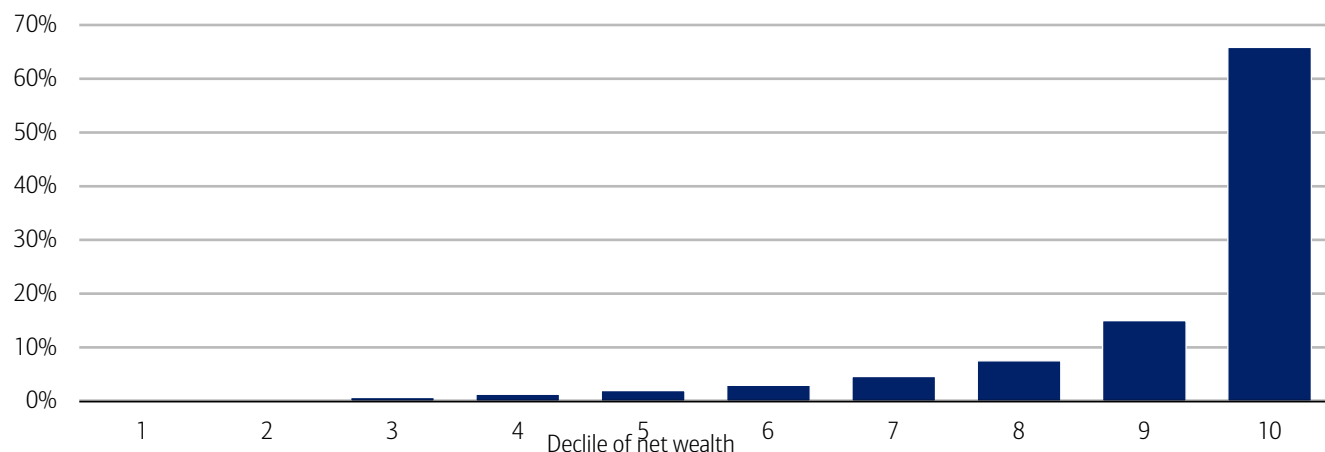
Source: Bank of America internal data

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On one level, this observation seems surprising given that in our piece on the older consumer we noted that a large and growing proportion of net worth is held by older cohorts (read: [Entering the age of the older consumer](#)). So what's going on? One explanation is that wealth is very unevenly distributed even within the older cohort. Exhibit 2 uses the latest Federal Reserve (2025) Survey of Consumer Finances to illustrate that, across households older than 65 years of age, around two-thirds of net wealth is held by the wealthiest 10% of households. As a result, wealth gains from rising stock markets may not trickle too far down the wealth distribution of older consumers.

Exhibit 2: The wealth distribution for older households is very skewed

Distribution of net wealth for households over 65 years old (%)



Source: Federal Reserve Board of Governors (2025 Survey of Consumer Finances)

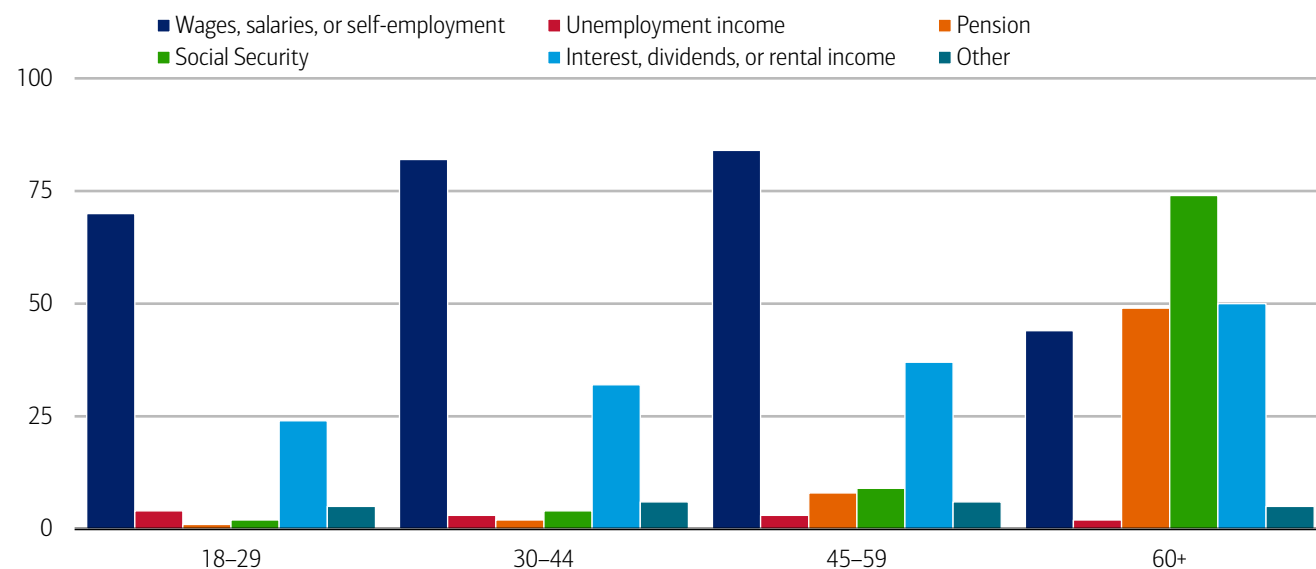
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Income and spending become more diverse and unequal with age

Another important part of the story is that the rise in overall spending growth over the past year appears to be supported by labor market strength as well as rising wealth. The October Consumer Checkpoint described how a pickup in after-tax wage growth among lower- and middle-income households was likely a key factor driving a recovery in these cohorts' spending growth (read: [Consumer Checkpoint: Strength in numbers](#)). As households age, their income sources become more diverse (Exhibit 3), which means older generations will likely benefit less from this pickup in wage growth.

Exhibit 3: As households age their sources of income become more diverse

Sources of income by age (%)



Source: Federal Reserve Board of Governors (2025 Survey of Household Economics and Decision making)

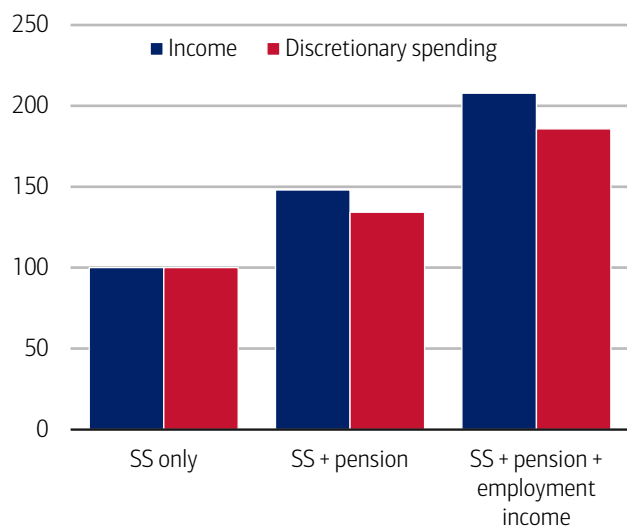
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The greater diversity in income sources among older households helps explain the wide dispersion in their total incomes and spending. For example, using Bank of America internal data, Exhibit 4 shows that households over age 62 that rely solely on

Social Security have average income and discretionary spending levels close to half those of households that also draw income from both pensions and employment. Consistent with this, discretionary spending is distributed more unevenly among older generations by income than it is across all households (Exhibit 5).

Exhibit 4: There is considerable diversity in income and spending across older households...

Income and discretionary card spending in Bank of America internal data for households over age 62 by form of income (year to September 2026, index social security income only=100)

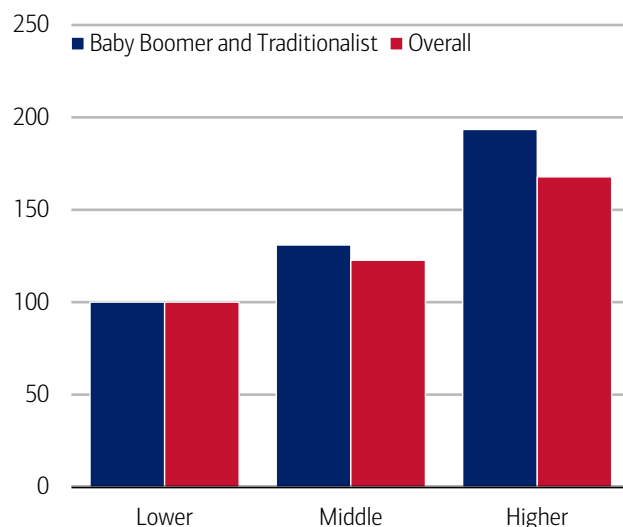


Source: Bank of America internal data. (SS = Social Security payments)

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Exhibit 5: ...and the divergence across older generation income cohorts is larger than the overall population

Discretionary card spending per household by income relative to lower-income cohort for older generations and overall households (year to September 2026, index lower-income =100)



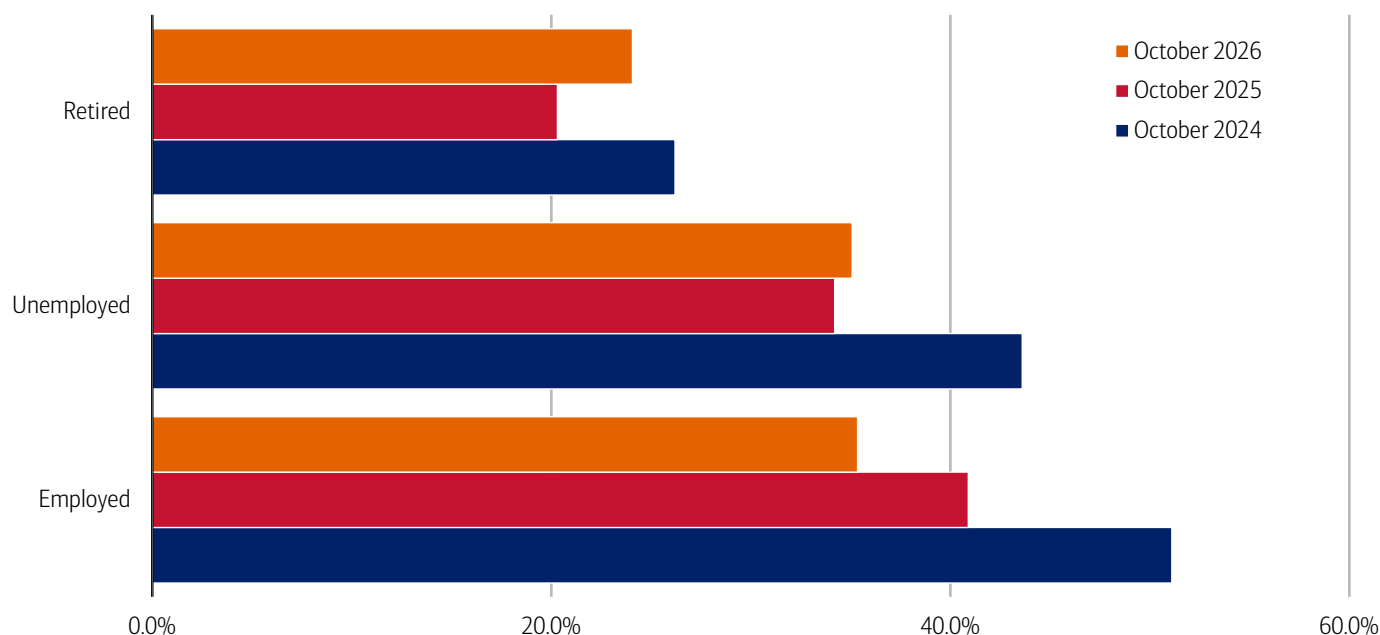
Source: Bank of America internal data

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And, interestingly, the latest Bank of America Market Landscape Insights Study shows that retirees are least confident in an improvement in their finances compared to those in work or unemployed over the next six months (Exhibit 6). Again, this may reflect the lower exposure of many retirees to the labor market, with many on relatively fixed income sources.

Exhibit 6: Retirees expect their finances to be little changed over the next six months

Response to a question on the state of respondent's expectation on their finances over the next six months (% responding "much better" or "somewhat better")



Source: Bank of America Market Landscape Insights Study (October 2026)

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The 2027 COLA may offer some respite

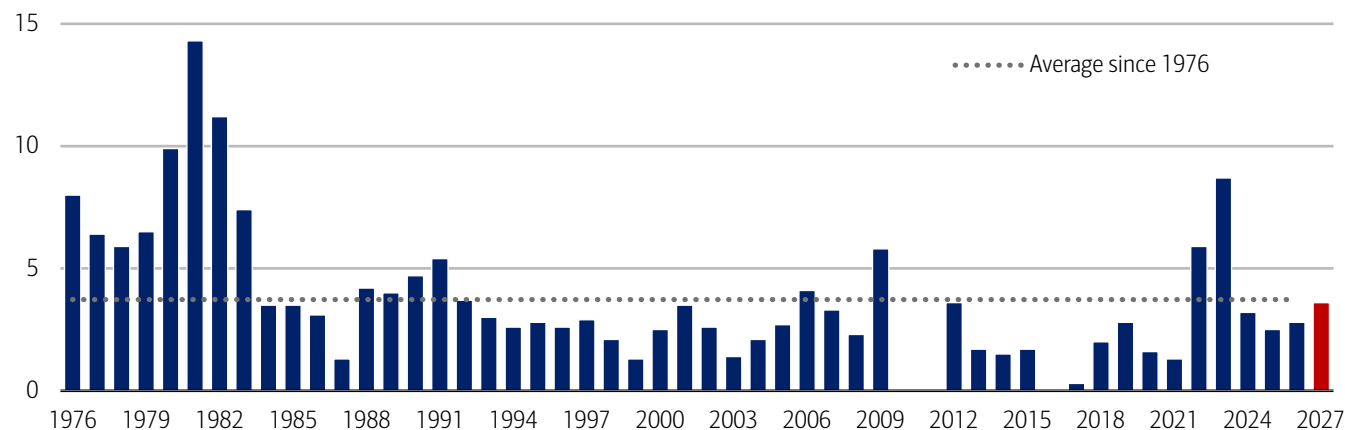
Still in our view there are some reasons for optimism around older generations spending outcomes.

For some older households in the middle of the income distribution, tax policy is likely providing some support to their spending growth. The One Big Beautiful Bill Act introduced a temporary deduction of up to \$6,000 for each taxpayer aged 65 or older for 2025-2028, with the benefit phasing out above \$75,000 of modified adjusted gross income for single filers and \$150,000 for joint filers. This measure is likely lifting after-tax income and spending capacity for older households – particularly those in the middle of the income distribution.

However, households on lower incomes may see less benefit from these policies as they likely already owe limited federal income tax. For these households relying on Social Security either as their sole or as a large component of their income, the forthcoming annual cost-of-living adjustment (COLA) to social security benefits will likely be a more important determinant of their budgets for 2027. The announced COLA for 2027 is a rise of 3.6% (Exhibit 7) – the largest since 2023, though lower than the 8.7% rise in 2022.

Exhibit 7: The 2027 COLA increase is the largest since 2023 and close to the historical average

Social Security cost of living adjustments (% increase as of January effective date)



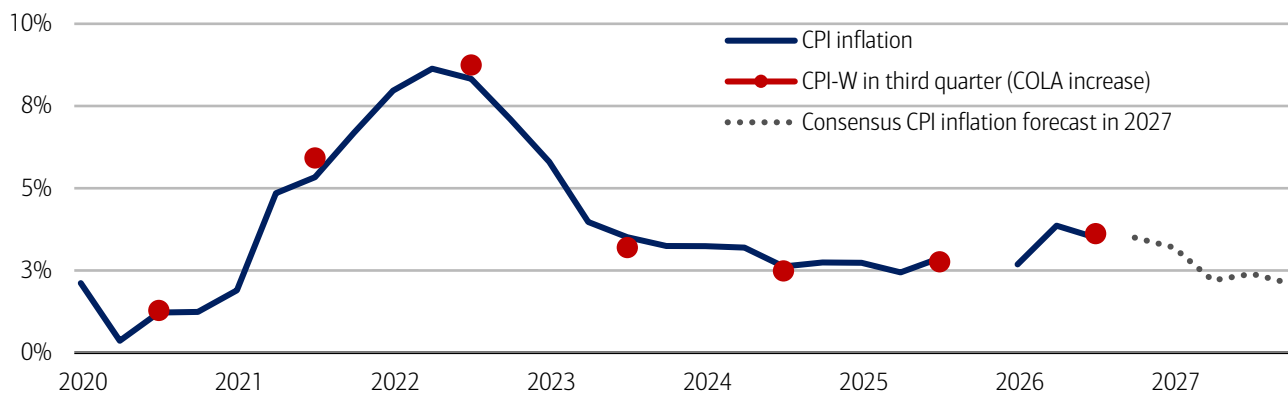
Source: US Social Security Administration (SSA)

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The COLA increases are based on the year-over-year (YoY) % change between the third quarters of successive years in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) and are typically announced in October and effective the following January. If the COLA increase simply keeps benefits in line with inflation, why is it particularly interesting? For sure, many times it is not. But when inflation is close to a turning point, the increase can end up looking relatively high or low compared with inflation over the course of the following year. The 2022 COLA increase was a case in point, as inflation in the subsequent year slowed sharply. In our view, this was one reason older generations' spending growth was stronger than that of other age cohorts over 2022-2023.

Exhibit 8: Inflation is expected to decline next year

Consumer Price Index (CPI) (% YoY), third quarter CPI-W increases (red dots, % YoY) and latest consensus CPI forecast for 2027 (dotted line, % YoY)



Source: Haver Analytics, Bloomberg. Some fall 2025 months might be missing due to the government shutdown.

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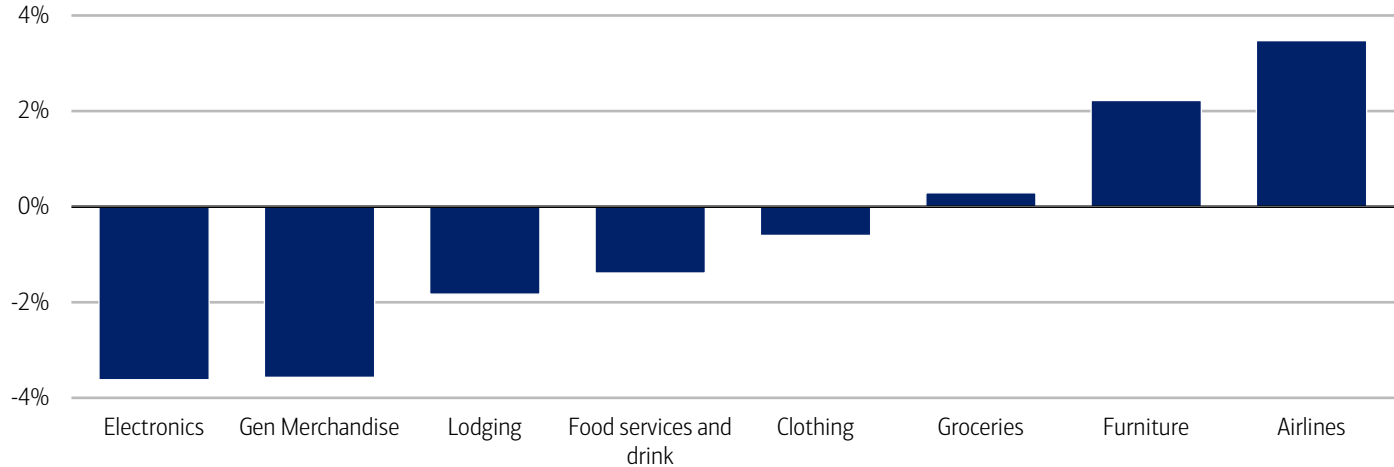
Regarding the 2027 COLA announcement, there are some parallels with 2022, albeit on a smaller scale. In particular, the consensus expectation is that CPI inflation is likely to cool over 2027, largely reflecting the lessening impact of higher gasoline prices (Exhibit 8).

So if these expectations prove correct, households that rely on Social Security may receive a more impactful boost to their budgets next year than they have for the last few, potentially narrowing the gap between older generations’ spending and other households.

What categories of spending growth might benefit from this? It is hard to be sure, but notable growth deficits for older generations currently reside in discretionary areas like electronics, lodging and restaurants (Exhibit 9). Some of these may reflect the preferences of older households, but it could be that there is room for some narrowing in these areas.

Exhibit 9: Large spending growth gaps for older households exist in a range of discretionary goods and services

Difference between older generations’ (baby boomer and traditionalist) spending and overall households’ YoY spending growth by category (three-month moving average, percentage points)



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.

Store category aggregation for “more discretionary”, “partly discretionary”, and “mostly necessity” is defined as follows:

More discretionary: furniture, electronics, building materials, hobbies, miscellaneous stores, nonstore retail, clothing.

Partly discretionary: auto, health and personal care, general merchandise.

Mostly necessity: Gasoline, food and beverage.

We consider a measure of services necessity spending that includes but is not limited to groceries, utilities, and gasoline. Discretionary services includes but is not limited to charitable donations, leisure travel, entertainment, and professional/consumer services. Discretionary retail includes but is not limited to general merchandise, miscellaneous, clothing, electronics and furniture. It excludes categories like groceries and gasoline. Holiday spending is defined as items in which spending in the November-December period is usually at least 20% of total annual spending on the category. Value and premium grocers are determined judgmentally on a proprietary analysis of merchants by equity analysts. The “more discretionary” retail category includes furniture, electronics, building materials, online marketplaces, clothing retailers and miscellaneous stores; while “partly discretionary” retail contains auto parts and services, health and personal care retailers, general merchandise and “mostly necessity” retail contains gas and groceries.

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: Gen Z, born after 1995; Younger Millennials: born between 1989-1995; Older Millennials: born between 1978-1988; Gen Xers: born between 1965-1977; Baby Boomer: 1946-1964; 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. Significance testing is done at the 90 percent confidence interval.

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

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