BANK OF AMERICA INSTITUTE

BANK OF AMERICA

Economy

Paycheck to paycheck: slowing but growing

10 November 2025

Key takeaways

- According to Bank of America internal data, in 2025 nearly a quarter of all households are estimated to live paycheck to paycheck. Although there has been some increase in these households year-over-year (YoY), the pace of growth has slowed - down nearly 3 times from 2024 levels.
- Why the slowdown in growth? The number of lower-income households (especially Millennials and Gen X) living paycheck to paycheck continues to rise while there is almost no increase in the number of higher- and middle-income households.
- Regionally, there has been a decrease in the share of households living paycheck to paycheck across most of the South and West, but accelerating YoY cost increases could renew financial pressures in these regions.

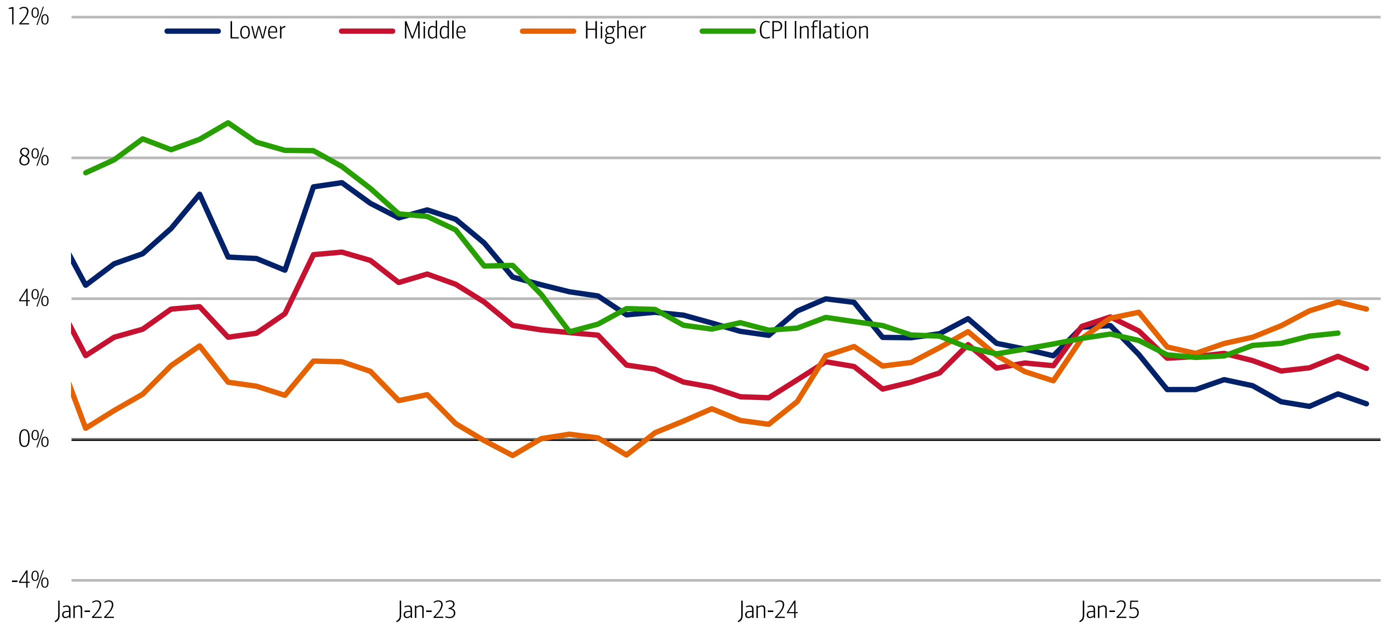
Financial pressures rise as inflation surpasses wage growth – again

Inflation has grown faster than middle- and lower-income households' after-tax wages since January 2025

In an October 2024 analysis (read: Paycheck to paycheck: What, who, where and why?), we discussed how more consumers were feeling financially pressured each year, but that slowing inflation growth might relieve some of the burden going into 2025. However, since then, inflation has stayed fairly high, up 3.0% year-over-year (YoY) in September, and after-tax wage and salary growth, based on Bank of America deposit data, for middle- and lower-income households has not kept pace, increasing 2% and 1% YoY, respectively, in October (Exhibit 1).

Exhibit 1: Inflation growth YoY has outpaced the after-tax wage growth of lower- and middle-income households since the beginning of the year

After-tax wage and salary growth, based on Bank of America data, by income (YoY%, 3-month moving average) compared to Consumer Price Index (CPI) inflation (YoY%, monthly)



Source: Bank of America internal data, Bureau of Labor Statistics (BLS)

BANK OF AMERICA INSTITUTE

Although more people are living paycheck to paycheck, the rate of growth has slowed year-over-year

One way to measure how slowing wages and sticky inflation levels are pressuring consumers' wallets is to estimate the proportion of households living "paycheck to paycheck," using Bank of America internal consumer deposit and spending data.

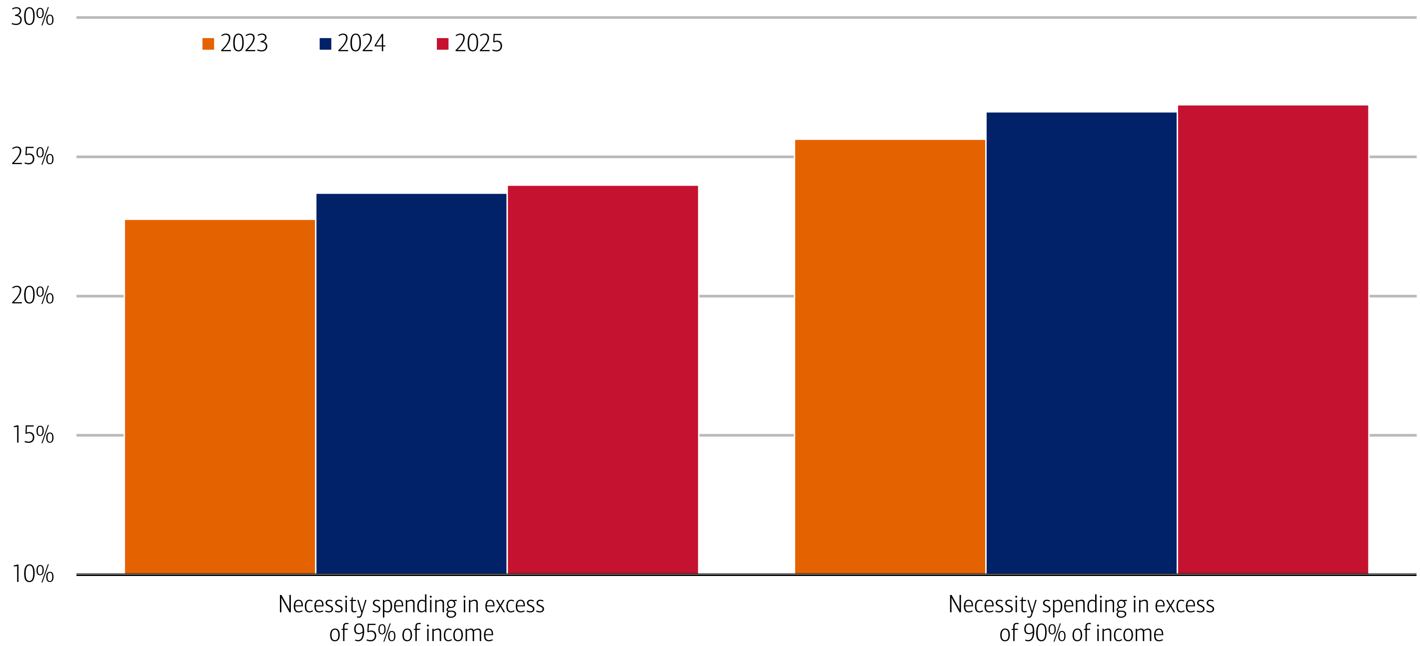
We define living "paycheck to paycheck" using a fairly broad definition of necessity spending (see Methodology for details), covering areas such as housing, gasoline, groceries, utility bills, internet service provider subscriptions, public transportation, and childcare.

We then identify the proportion of households in which necessity spending is more than 95% of their household income, leaving them relatively little or nothing left over for "nice-to-have" discretionary spending or savings. We use this as our central indicator. Exhibit 2 shows that nearly 24% of households so far in 2025 would be classified as living "paycheck to paycheck" based on our central indicator. This is a 0.3 percentage point increase on 2024, but a growth rate nearly three times lower than last year.

And in case this definition is too restrictive, we also evaluate the share of households where necessity spending is more than 90% of their household income. This alternative measure moved similarly.

So, on both measures, more households are feeling the strain, but the rate of increase in their numbers has slowed.

Exhibit 2: The rate of growth in the share of households living paycheck to paycheck was three times higher in 2024 than in 2025
Proportion of households where necessity spending exceeds 95% and 90% of their household income (%)



Source: Bank of America internal data. Based on data through the third quarter of every year.

BANK OF AMERICA INSTITUTE

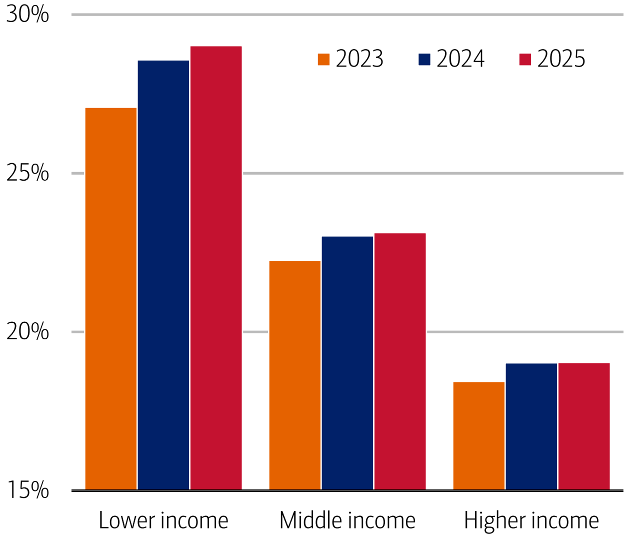
Lower-income and middle-aged households bear the brunt of rising prices

Higher-income households' average wage growth is accelerating compared to that of lower-income households

Bank of America internal data shows that the rise in households living paycheck to paycheck is primarily driven by lower-income households. In fact, 29% of lower-income households are living paycheck to paycheck, up from 28.6% in 2024 and 27.1% in 2023 (Exhibit 3). However, there has been little to no increase in the share of middle- or higher-income households living paycheck to paycheck. Why are we only seeing an increase in lower-income households? In our view, it's likely due to slowing wage growth for this cohort.

In fact, wages for lower-income earners have been easing relative to their higher-income counterparts since the beginning of 2025 (Exhibit 4), after having risen much faster in 2021-22, before cooling in 2023-24 and falling this year.

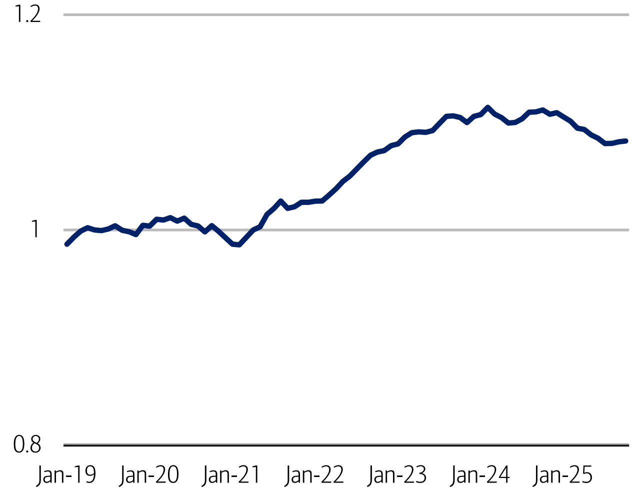
Exhibit 3: Lower-income households have the highest share and largest increase of households living paycheck to paycheck
Proportion of households where necessity spending is above 95% of their income, by income range (%, yearly)



Source: Bank of America internal data. Data is through the third quarter of every year.

BANK OF AMERICA INSTITUTE

Exhibit 4: Lower-income households' wages are easing relative to their higher-income counterparts
Indexed ratio of higher- and lower-income terciles of after-tax wages and salaries, based on Bank of America customer data (index 2019 = 1, monthly, seasonally adjusted)



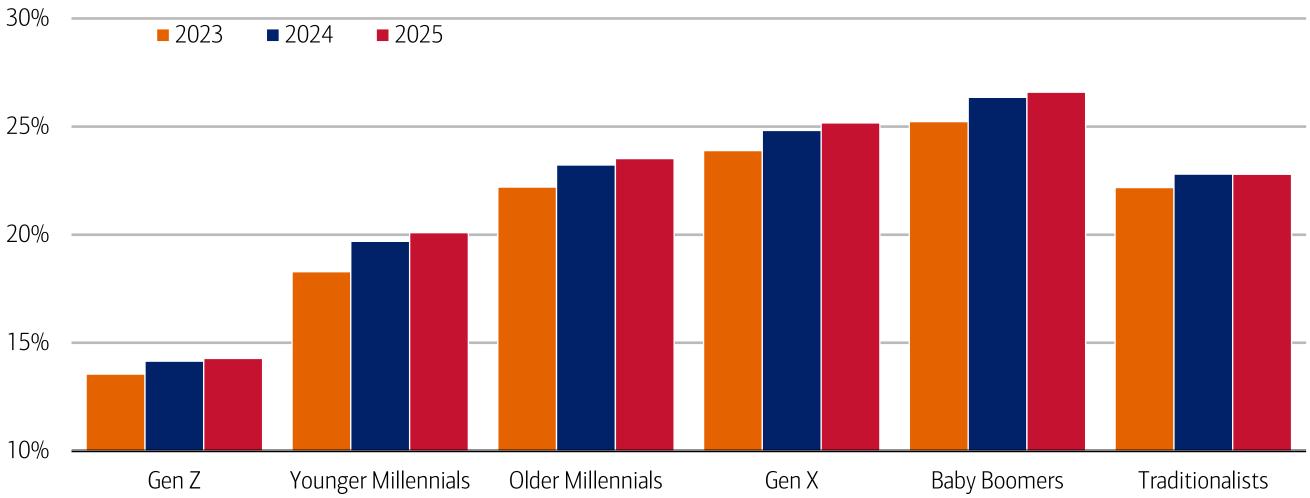
Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Lower-income Millennials and Gen X have seen the largest increases in financial pressures

By age, Bank of America internal data shows that more middle-aged households (e.g., Millennials and Gen X) have been living paycheck to paycheck since last year. Meanwhile, the share of Gen Z and Traditionalists living to paycheck to paycheck has barely increased (Exhibit 5).

Exhibit 5: Millennials, Gen X and Baby Boomers have seen an increase in the share of households living paycheck to paycheck
Proportion of households where necessity spending is above 95% of their income, by age generation (%, yearly)



Source: Bank of America internal data. Data is through the third quarter of every year.

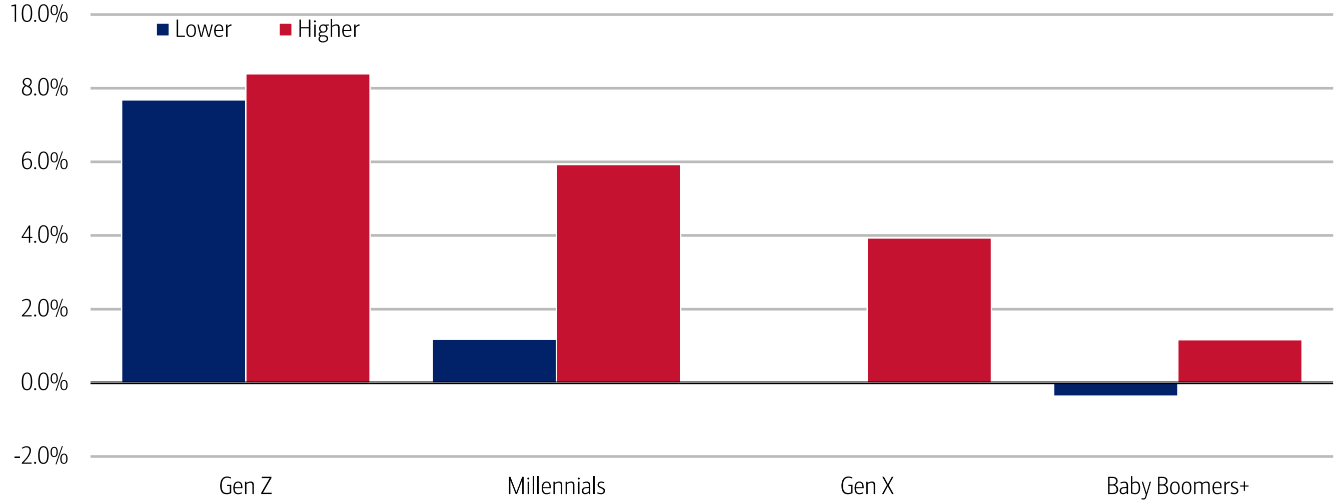
BANK OF AMERICA INSTITUTE

Using Bank of America internal deposit data, we can see why. Higher-income Millennial households have seen their average wages grow five percentage points faster than the rate of lower-income households in the same generation (Exhibit 6). Meanwhile, higher-income Gen X have outpaced their lower-income counterparts by four percentage points. And higher-income Baby Boomers have seen wage gains, while their lower-income peers are seeing declines.

Consequently, these higher-income cohorts are more able to absorb the recent reacceleration in inflation due to their outsized wage growth, while lower-income households' wage growth has not kept pace. It's also possible that 'wealth effects' (higher levels of ownership for stocks, homes, etc.) could be buoying higher-income households as well (read more in our previous Consumer Checkpoint).

Exhibit 6: Higher-income households outpace lower-income households' wage growth across all generations

Average after-tax wage and salary growth by income tercile and generation (YoY%, 3-month moving average to September 2025, seasonally adjusted)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

Location matters: regional differences in households living paycheck to paycheck

Households in the South and West have seen some easing in financial pressure this year

Looking across the US, we can see that the southern census divisions (notably Delaware, DC, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia and West Virginia), and western divisions (especially Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah and Wyoming) have the highest share of households living paycheck to paycheck. Meanwhile, the divisions with the lowest share are in the Northeast (particularly New Jersey, New York and Pennsylvania) and Midwest (namely Illinois, Indiana, Michigan, Ohio and Wisconsin) (Exhibit 7).

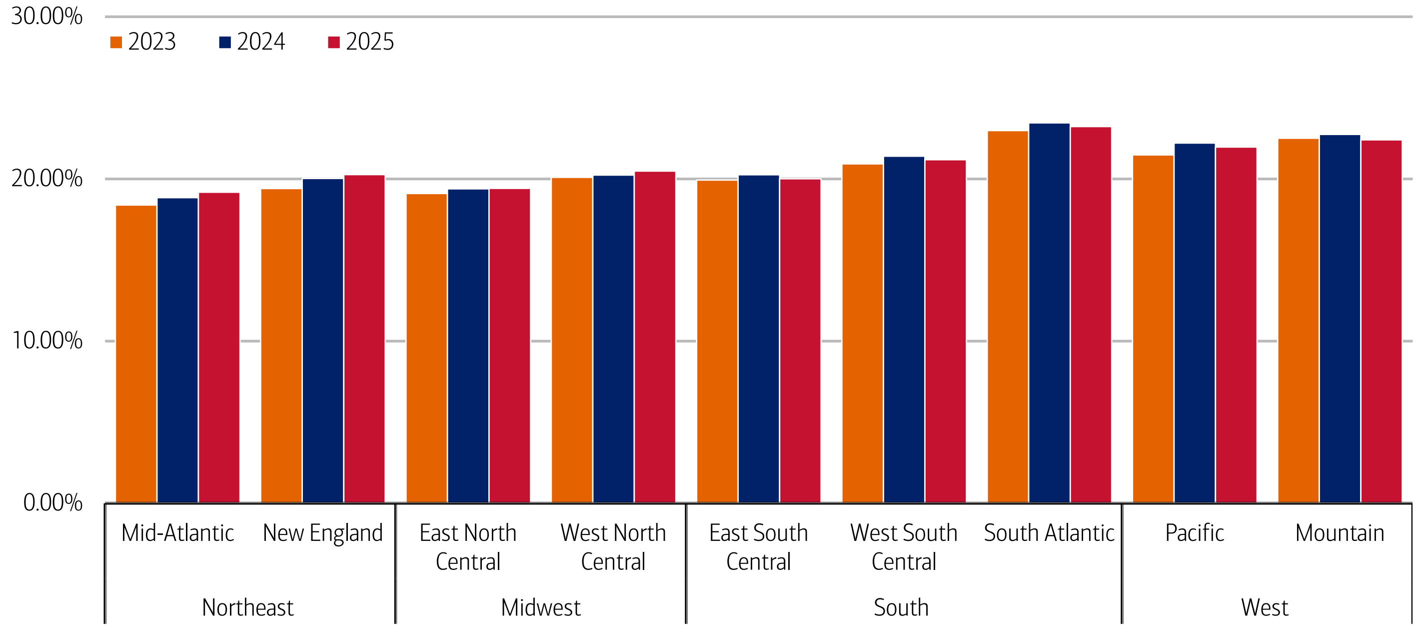
However, an interesting dynamic has emerged in the last year. The 2025 share of households living paycheck to paycheck in the Northeast and Midwest census divisions increased compared to the previous year, while it has decreased for those living in the South and West.

What's next for households living paycheck to paycheck? Accelerating inflation may renew financial pressure

What's behind this regional decrease? Inflation data from the Bureau of Labor Statistics (BLS) may explain part of the story. The South and West had some of the lowest inflation rates in the country last year, likely easing some of the financial burden for consumers in these regions (Exhibit 8).

However, inflation has started to accelerate compared to the previous year, especially in the Mountain division (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming). So, in our view, it is possible that these rising costs may renew or expand financial pressure on consumers in these areas after only a brief respite.

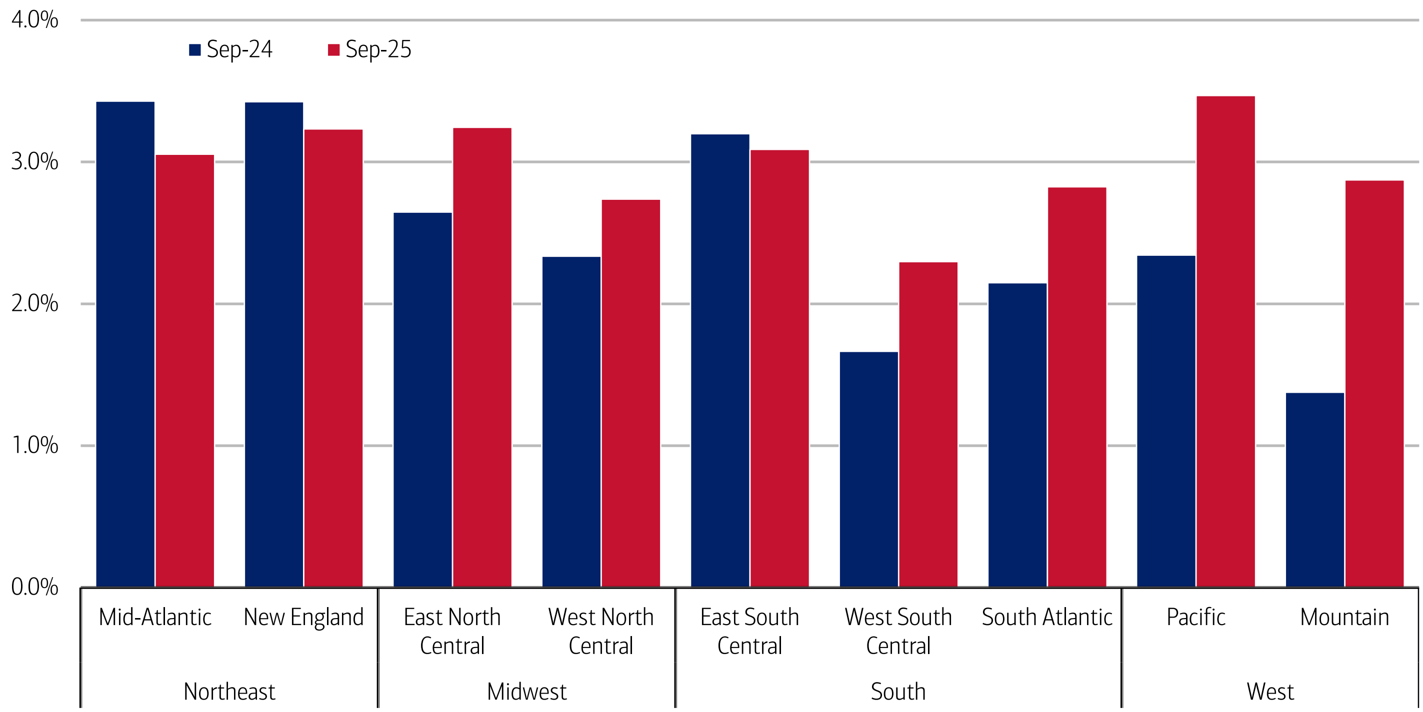
Exhibit 7: The share of households living paycheck to paycheck has eased in the South and West this year
Proportion of households where necessity spending is above 95% of their income, by Census region and division (%, yearly)



Source: Bank of America internal data. Data is through the third quarter of every year.

BANK OF AMERICA INSTITUTE

Exhibit 8: CPI inflation has accelerated across most of the South and West in September 2025 compared to last year
CPI inflation for all items by census regions and divisions (YoY%, monthly)



Source: BLS

BANK OF AMERICA INSTITUTE

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 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.

Generations, if discussed, are defined as follows:

1. Gen Z: born after 1995

2. Younger Millennials: born 1989-1995

3. Older Millennials: born 1978-1988

4. Gen Xers: born 1965-1977

5. Baby Boomer: born 1946-1964

6. Traditionalists: born 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.

For our paycheck-to-paycheck analysis we use a sample of households that appears to have their primary banking relationship with Bank of America. We look at households who reside in the United States and have had a checking account for at least the past 12 months. We consider a measure of necessity spending that includes but is not limited to childcare, external credit card payments, gasoline, general retail, grocery, housing (mortgage/rent), insurance, cable TV/broadband, public transportation, tax payments, vehicle costs and payments. We consider spending across payment channels (ACH, credit and debit card, bill pay). Income is defined as regularly recurring payments into accounts, such as payroll, social security, unemployment insurance pensions, and annuity income. Households are defined as living paycheck to paycheck if in the quarter their necessity spending exceeds 95% of their income. Note where individuals in a household bank with different banks it is possible not all of their spending and income could be captured, increasing the uncertainty around paycheck to paycheck estimates.

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.

Contributors

Joe Wadford

Economist, Bank of America Institute

Sources

Jon Kaplan

Senior Vice President, Digital and Data

Li Wei

Director, Global Risk Analytics

Disclosures