Financial Resilience Index and Survey Methodology

The ACLI Financial Resilience Index measures the middle-class' ability to manage life's challenges and plan for a stable future. The Headline Index measures the direction and degree of middle-class financial resilience, and is composed of two underlying indices:

- The Cost Resilience Index measures the ability to afford modest luxuries without trading off the essentials and to afford life-stage appropriate care and education.
- The Resource Resilience Index measures the ability to handle unexpected expenses and sustain a quality of life**,** and the ability to save and live well in retirement.

Interpreting the index. It is a Z-score index, meaning that the index score represents the direction and degree to which underlying variables diverge from historical averages. Positive scores indicate above average middle-class financial resilience and negative scores indicate below average middle-class financial resilience.

Composition. The index measures the direction and degree of middle-class financial resilience by tracking 26 different variables that represent important middle-class cost pressures or financial resources.

The Headline Index combines the underlying Cost Resilience and Resource Resilience indexes — each of which has three subcomponents — to capture the interaction of cost pressures and financial resources for middle-class households. This structure tracks changes in middle-class financial resilience and provides insight into the underlying factors that are driving those changes.

- Cost Resilience subcomponents include: (1) The Essentials; (2) Care & Education; and (3) Modest Luxuries. The variables that comprise these subcomponents reflect the types of expenditures that define a typical middle-class American lifestyle.
- Resource Resilience subcomponents include: (1) Income; (2) Access to Capital; and (3) Retirement Readiness. The variables that comprise these subcomponents represent the financial resources at the disposal of middle-class households and have been scoped to households that fall in a middle-income designation.

Methodology. All variables are harmonized to a quarterly frequency, and price and wealth variables are transformed to year/year percentage change. Variable values are then standardized by calculating their Z-scores—the number of standard deviations above or below a variable's average value for the sample period (Q1 2000 to Q4 2023). Some standardized variables are inverted, such as those for costs, so that a positive index score always indicates improvement (e.g., easing cost pressures) and a negative index score always indicates deterioration (e.g., worsening cost pressures).

Each standardized variable is weighted to reflect its relative importance to middle-class financial resilience (*see below table for list of variables in each subcomponent).* These weighted values are aggregated to compose the indices and are multiplied by a constant of '100' so that the index values will almost always fall between +/- 100.

The American Council of Life Insurers (ACLI) drives public policy and advocacy on behalf of the life insurance industry. Our 275 member companies provide products like life insurance, workplace benefits, annuities, long-term care, and more to help 90 million American families protect the lives they've built, support the people who depend on them, and prepare for a secure retirement. As the single largest investor in U.S. corporate bonds, America's life insurers invest $8.9 trillion across the U.S. economy.

Table: Index Subcomponents, Weights*, Variables and Data Sources

** Listed subcomponent weights represent the weight of subcomponents in the underlying Cost Resilience or Resource Resilience Index (e.g., 'The Essentials' accounts for 55% of the Cost Resilience Index score and 22% of the Headline Index score).*

Index	Subcomponent	Variable	Data Source
Cost Resilience (40%)	The Essentials (55%)	Owners' equivalent rent of primary residence	*Consumer Price Index*, U.S. Bureau of Labor Statistics
		Rent of primary residence	
		Groceries	
		Electricity	
		Gasoline	
		Motor vehicle parts and equipment	
		Motor vehicle maintenance and repair	
		Motor vehicle insurance	
		Internet services	
	Care & Education (15%)	Medical care services	
		College tuition and fees	
		Day care and preschool	
		Prescription drugs	
		College tuition and fees	
		Day care and preschool	
	Modest Luxuries (30%)	Dining out	
		Recreation	
		Household appliances, furnishings, and services	

		New vehicles	
		Used vehicles	
		Hotel stays	
		Airline fares	
Resource Resilience (60%)	Income (45%)	Wage growth (25-75th wage percentile)	*Wage Growth Tracker*, Federal Reserve Bank of Atlanta
	Access to Capital (35%)	Non-retirement wealth (40-80th income percentile)	*Distributional Financial Accounts*, Board of Governors of the Federal Reserve System
		Access to consumer credit	*Senior Loan Officer Opinion Survey on Bank Lending Practices*, Board of Governors of the Federal Reserve System
		Debt delinquency expectations ($50-100K in income)	*Survey of Consumer Expectations*, Federal Reserve Bank of New York
	Retirement Readiness (20%)	Retirement assets (40-80th income percentile)	*Distributional Financial Accounts*, Board of Governors of the Federal Reserve System
		Probability of comfortable retirement (middle income tercile)	*Survey of Consumers*, University of Michigan

The ACLI Financial Resilience Survey explores how middle-class households understand their own financial resilience.

Methodology. The survey is conducted by YouGov on behalf of ACLI among adults ages 18 and older. Survey results primarily present the survey results for the respondents from middle-class households —those earning $50,000 to $149,999 in annual household income. Upper-income households are those earning $150,000 or more in annual household income, and lower-income households are those earning less than $50,000 in annual household income. The report only presents comparisons between subgroups that are statistically significant. For complete survey methodology, including subgroup sample sizes and information about statistical significance, please contact ACLI.