Wealth Gap Widens:

How COVID-19 Has Exacerbated Economic Inequality in the U.S.

April 2021

Half have seen their household finances changed

More than half of U.S. adults consider their household finances to have changed for better or worse due to the COVID-19 pandemic.

All Adults

Approximately one quarter (**24%**) report that they are better off financially and nearly a third of all Americans (**29%**) say they are worse off.

Adults making less than $50K

Nearly forty percent (**37%**) of households making less than $50,000 per year describe themselves as worse off because of the pandemic

Adults making more than $100K

In stark contrast, only **15%** of households making more than $100,000 a year describe themselves as worse off.

The rich and poor are on different paths—older and poorer Americans have been hit the hardest

Survey suggests the pandemic's deceleration holds different promises for those who consider themselves to be better or worse off.

Worse off

Those who have taken a financial hit during COVID-19 worry the downward trend will continue, with **57%** saying they believe nothing will change or that their finances will continue to worsen over the next year.

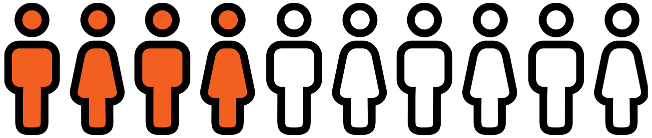
Better off

Meanwhile, **61%** of those who say they are financially better off since the start of the pandemic expect their household finances to improve in the next year.

Outlook by age

Adults 45 to 64

Nearly **4 in 10** of those 45 to 64 say they are worse financially this year compared to last year because of the pandemic, compared to those under 45.



Adults 18 to 44

Only about **one quarter** say this.

18 to 34
24%

35 to 44
27%

Those earning less than $50,000 per year are most uncertain about their financial futures

The survey also exposed the financial uncertainty among Americans who are making less than $50,000 per year.

“No idea” how they will pay for their post-COVID-19 plans

Those who have suffered financially
When restrictions are lifted, Americans across the board overwhelmingly want to make up for “lost time,” but 26% of those who have suffered financially since last year say they have “no idea” how they will pay for their post-COVID-19 plans.

Finances didn’t change
Whereas 18% of those who say their finances didn’t change, and only 9% of those who said they were financially better off say they have “no idea”.

Not sure how, or if, they will save or spend money going forward

Those making less than $50,000
On top of that, 16% of those making less than $50,000 are unsure if they will save or spend more money moving forward.

Those making between $50,000 to$100,000 or more
Whereas 9% of those making between $50,000-$100,000 and 7% of those making $100,000 or more are also not sure how if they will save or spend money going forward.

Life won't return to normal for all

While all Americans have an appetite to do more post COVID-19, the survey revealed that Americans will be able to participate at varying degrees, with lower-income Americans least likely to participate in a post-COVID-19 spending boom. As COVID-19 decelerates:

Those making more than $50,000 per year are more likely planning to take a vacation, shop at locally owned stores and dine-in at restaurants than those making less than $50,000 per year.

Taking a vacation

- LESS THAN $50,000 – 41%
- $50,000 – LESS THAN $100,000 – 52%
- $100,000 or more – 62%

Shop at locally owned stores

- LESS THAN $50,000 – 28%
- $50,000 – LESS THAN $100,000 – 42%
- $100,000 or more – 42%

Those making more than $50,000 per year are more likely saving and budgeting for visits with friends and family than those making less than $50,000.

Those saving or budgeting to visit family or friends

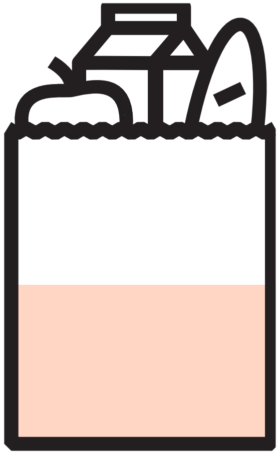
- LESS THAN $50,000 – 46%
- $50,000 – LESS THAN $100,000 – 55%
- $100,000 or more – 55%

Dine-in at restaurants

- LESS THAN $50,000 – 33%
- $50,000 – LESS THAN $100,000 – 46%
- $100,000 or more – 46%

Nearly half (45%) of U.S. adults making more than $100,000 per year plan to take at least three or more vacations once society returns to normal; in contrast, more than one third (38%) of respondents making less than $50,000 per year do not plan to, or do not know if they will, take any vacations as COVID-19 subsides. (Table 44)

Americans making less than $50,000 annually are more likely to spend their stimulus check



When asked about how they plan to spend a federal stimulus check, **more than half of** U.S. adults who are worse off financially since the pandemic say they would use the money to cover daily expenses, such as buying groceries or paying bills.

Conversely, **more than one third** of U.S. adults said they would invest their stimulus payment in a savings or retirement account, though those who are financially better off (**37%**) are more likely to do so than those worse off (**28%**).

A change in mindset

The TIAA survey found that the pandemic has created a change in mindset about what's important about managing personal finances.

Only 35% of U.S. adults reported having an emergency fund.

Prior to the pandemic:

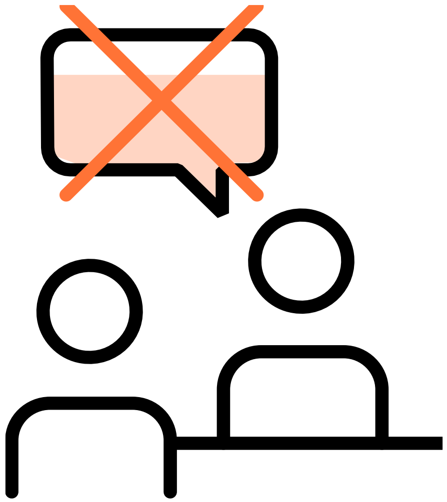
More than half of those making less than $50,000 said they've never created an emergency savings fund, saved more money for retirement, or worked with a professional financial advisor for guidance on savings and retirement.

Today, **most Americans** (nearly 75% who are better off and nearly 70% who say they are worse off) say they have placed a greater importance on creating an emergency savings account going forward. Americans also want to save more for retirement (72% for those who are better off and 60% for those who are worse off).

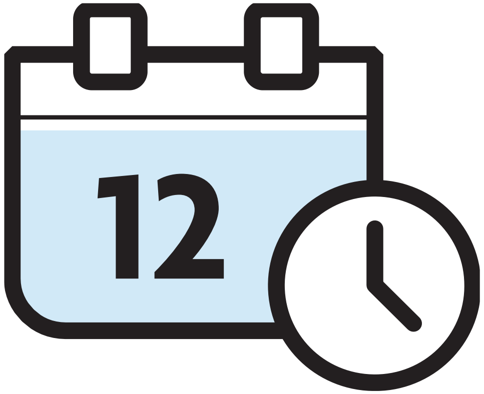
Clear wealth disparities on issues related to saving and planning for the future

44% of households making less than $50,000 a year say it is unlikely they will be able to save more for retirement going forward; in contrast, 72% of those making more than $100,000 say it is likely they will save more for retirement.

Nearly 70% of those making less than $50,000 say they are still unlikely to work with a professional advisor, likely due to extra costs.



Lifetime income is also increasingly important



Now, **73% of Americans**, especially those who are worse off, say having guaranteed monthly income for the rest of their lives is significantly more important than having a particular dollar amount of retirement savings at the time of retirement.

As a point of comparison, in a previous TIAA Financial Resiliency Survey conducted in July 2020, only 44% of Americans making between $40,000 and $74,000 per year said that having a source of guaranteed lifetime income contributes most to financial resiliency. TIAA, Financial Resiliency Survey, October 2020

Study methodology

KRC Research conducted the TIAA Financial Habits study using an online survey of 1,003 Americans ages 18 and over, living in the United States. The study was fielded between February 19-22, 2021. Completed interviews are weighted by age, sex, region, race and education to ensure reliable and accurate representation of the total U.S. population.

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[1] The Refinitiv Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. Lipper Leaders fund ratings do not constitute and are not intended to constitute investment advice or an offer to sell or the solicitation of an offer to buy any security of any entity in any jurisdiction. For more information, see lipperfundawards.com. Lipper Fund Awards from Refinitiv, ©2020 Refinitiv. All rights reserved. Used under license. The Award is based on a review of risk-adjusted performance of 39 companies for 2016, 36 for 2017, 35 for 2018 & 2019, and 30 for 2020. The award pertains only to the TIAA-CREF mutual funds in the mixed-asset category. Without such waivers ratings could be lower. Past performance does not guarantee future results. For current performance, rankings and prospectuses, please visit TIAA.org.

[2] Based on approximately $1.3 trillion of assets under management across Nuveen affiliates and TIAA investment management teams as of 12/31/2020.

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