

# Dēmos Fact Sheet: THE STATE OF THE MIDDLE CLASS

It is becoming increasingly difficult for Americans to achieve and sustain a middle-class life. The costs of homeownership, healthcare and a college education have soared, while incomes have stagnated. According to the Middle Class Security Index, a measure developed by Dēmos and the Institute on Assets and Social Policy at Brandeis University, fewer than one third of middle-income families were securely in the middle class in 2006, while a quarter were at high risk of falling out of the middle class.

## How Secure are America's Middle-Income Families?

According to the Middle Class Security Index, a family is considered to be securely middle class if three or more of the five factors in a family's profile meet the threshold for "optimal for financial security." If three or more of the factors fall below the "risk" threshold, the family is considered to be at high risk of falling out of the middle class.



Source: *By a Thread: The New Experience of America's Middle Class*, data from 2006

## Five Factors that Influence Middle Class Security

**ASSETS** Number of months able to live at 75 percent of current living expenses using net financial assets

< 3 months > 9 months

**EDUCATION** Academic degree

High school diploma or less Bachelor's degree or higher

**HOUSING** Percent of after-tax income spent on housing

> 30% monthly income < 20% monthly income

**BUDGET** Amount left at end of the year after paying taxes and covering living expenses

< \$5,000 left at end of year (<\$100/week) < \$25,000 left at end of year (about \$480/week)

**HEALTHCARE** Number of family members covered by private or government health insurance

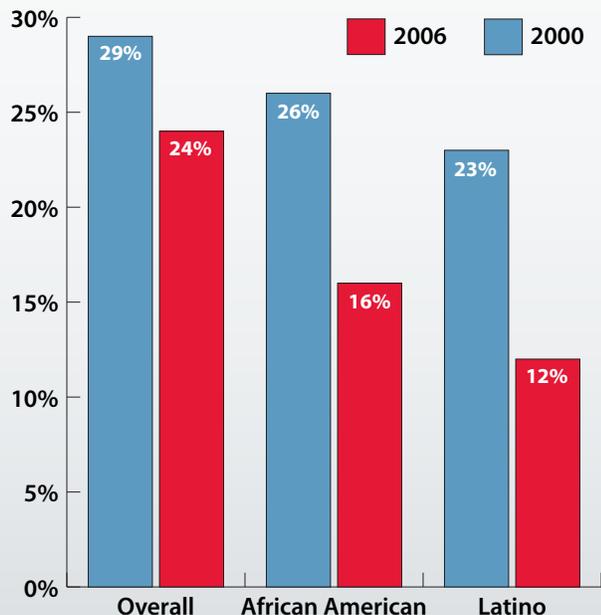
At least one family member not covered All family members covered

Source:  
*By a Thread: The New Experience of America's Middle Class*

## Sharp Decline in Middle Class Security Before the Recession

Between 2000 and 2006, the percent of middle-class families who were economically secure fell considerably, but the decline was particularly steep for Latino and African-American families. By 2006, only 12 percent of middle-income Latino families were securely middle class; the comparable figure for African Americans was only 16 percent. And this was prior to the economic meltdown.

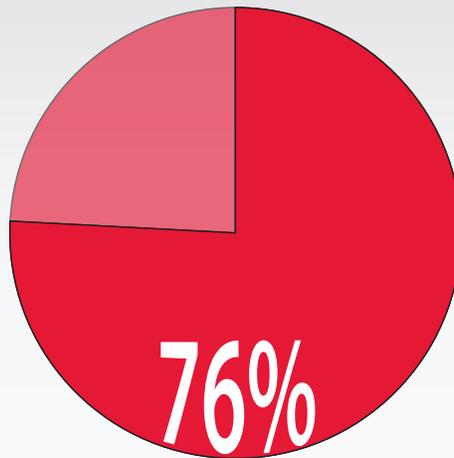
### Percent of Middle-Class Families that Were Economically Secure, 2000-2006



Source: *The Downside Before the Downturn: Declining Economic Security Among Middle-Class Americans and Latinos, 2000-2006*

## Dwindling Assets, Rising Costs, and a Lack of Health Insurance are a Major Culprit

The decline in the overall financial health of middle-income families between 2000 and 2006 was driven by falling assets, increasing debt, housing costs rising faster than incomes, and a growing lack of health insurance.



**Percent of Middle-Class Families That Do Not Have Enough Assets to Meet 3/4 of Basic Expenses for Even 3 Months**

Source: *From Middle to Shaky Ground: The Economic Decline of America's Middle Class, 2000-2006*

### What Can be Done?

- » **Make higher education more accessible and affordable.** Dēmos' proposal for *The Contract for College* unifies the three strands of federal financial aid—grants, loans and work-study—into a coherent, guaranteed financial aid package for students.
- » **Boost wages and increase job quality.** After decades of wage stagnation, it's time to restore the voice of the American worker in the labor market by providing a fair and direct path to the formation of unions.
- » **Help individuals and families save more of what they earn.** Universal savings accounts, HomeSavers accounts, targeted tax credits and other mechanisms that promote savings for emergencies, homeownership and education help families lay a strong financial foundation.
- » **Restore consumer protections in the financial sector.** Strong federal standards are needed to protect homebuyers from predatory lending practices and to prohibit credit card lenders from driving up interest rates on customers in good standing.
- » **Make healthcare coverage universal.** Only a bold overhaul of our healthcare system can adequately contain costs and ensure that all Americans have access to high quality and affordable medical care.



For more information, see [www.demos.org](http://www.demos.org).

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