Labor, Income, Finances, and Expectations (LIFE) Survey

Published: November 2026

Shifting Views Among Young Adults: Changes in Financial Security and Economic Outlook

by Matthew Drayton

A concerning issue in recent years has been the growing sense of financial pessimism among young adults.[1] In both the media and online forums, young people have expressed disillusionment with the state of the economy, citing the high cost of housing, difficulties managing student loans, and a daunting labor market.[2] Moreover, the University of Michigan Consumer Sentiment Index reached one of the lowest points in its history in June 2026 for 18–34-year-olds.[3] In fact, the most recent levels have been trending downward and are below those seen during the Great Financial Crisis. While there are mixed results in the literature, there is some evidence that the deterioration of consumers' confidence and future beliefs negatively influences personal consumption decisions.[4] At least in terms of decisions about housing, there is suggestive evidence of a relationship between perceptions of financial security among younger people and their home purchase intentions.[5]

This brief explores young adults' perceptions of their financial security compared with those of older adults, factors driving financial pessimism across age groups, changes in general sentiment over time, and trends in consumers' economic outlook over the next 12 months.

The data used in this report comes from the Federal Reserve Bank of Philadelphia's Labor, Income, Finances, and Expectations (LIFE) Survey spanning from January 2023 to April 2026.[6] The results show there has been a significant decrease in young adults' (ages 18–35) perceptions of their financial

[1] See for example Garon, Wu, Axelrod, Godinez-Puig, and Ramos (2026) and Scanlon (2025).

[2] See for example Fry and Wondimu (2026), Anderson (2026), Monarrez and Ritter (2024), Vigers (2026), and Ember (2026).

[3] See data.sca.isr.umich.edu/.

[4] Source: Gillitzer and Prasad (2018), Hoke, Sinem, Feler, Mitchell, and Chylak (2025), and Mynaříková and Pošta (2022).

[5] See Akana, Drayton, and Lambie-Hanson (2026) for survey evidence of a pullback in homebuying intentions among younger respondents that coincides with a decline in their perceptions of financial security.

[6] The LIFE Survey is a quarterly online survey, which interviews approximately 5,000 U.S. adults. Responses are weighted using the American Community Survey to be representative of the U.S. adult population on key demographics. For more information, a technical description of the survey's methodology can be found at the LIFE Survey methodology page.

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security since January 2025. Following two consecutive quarters of decline in January and April 2025, in July 2025, young adults' perceived financial security reached a level where more respondents felt that their financial security had worsened rather than improved in the last 12 months. Financial security sentiment among young adults recovered slightly from its low point in July 2025 but remained negative through April 2026, the last month studied. When asked why their financial security perceptions worsened, young respondents most frequently cited low financial resources, affordability, and employment concerns as reasons why they feel less secure than before. Alongside the decline in perceptions of financial security, respondents felt less optimistic about their outlook for the future as well as for the trajectory of prices and rates in the broader economy; indeed, this decline was relatively larger among 18–35-year-olds.

Changes in Perceptions of Financial Security

Each quarter, the LIFE Survey asks respondents about changes to their financial security perceptions: "*Thinking about your overall financial security, how would you compare the way you feel financially today to how you felt 12 months ago?*" on a five-point scale, from 1 (significantly less secure) to 5 (significantly more secure). As a key measure of perceived financial security, responses to this question were used to calculate the net percentage, or the share of respondents who feel more financially secure (4, 5) minus the share who feel less financially secure (1, 2).[7] This diffusion index is referred to as *net financial security* for the remainder of the brief.

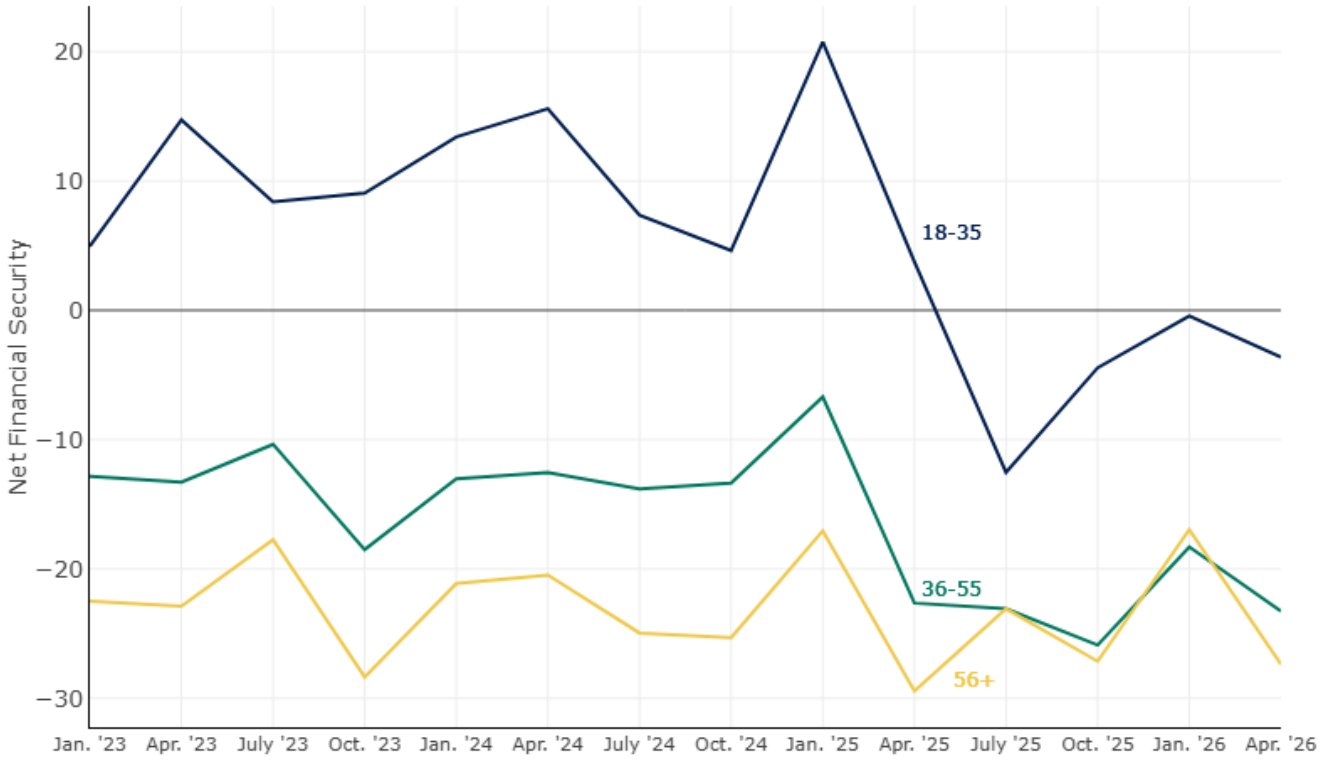
Young adults or 18–35-year-olds, in absolute terms, tend to have a more positive perception of changes to their financial security than older adults. **Figure 1** shows that young adults' *net financial security* was positive, hovering around +5 to +15 throughout 2023 and 2024 before reaching a peak around +21 at the beginning of 2025. In stark contrast with young adults, older adults' *net financial security* was consistently negative through the same period.

Age groups differ systematically in income, employment status, and other factors, which may themselves influence perceptions of financial security. Nevertheless, statistical analysis (not shown) reveals the differences in levels across age groups, as highlighted in **Figure 1,** largely hold even after considering potentially confounding explanatory variables.

[7] This net value spans a range of -100 to +100, where a positive sign indicates a greater proportion of respondents feel more financially secure than they did the year before, while a negative number represents that a larger share of respondents feel less secure. Respondents who are neutral do not influence the calculation of the diffusion index.

In **Figure 1**, respondents of all ages reported drops in *net financial security* between January and April 2025, when the largest absolute decline occurred among young adults (17 points). Young adults' *net financial security* decreased again in July 2025 from +4 to -13, which is the first time in the short history of the survey that young adults reported negative *net financial security*. While young adults' views of their financial situation subsequently improved, their *net financial security* was still negative (-4) in April 2026.

Figure 1. Net Financial Security by Age Groups



Notes: The figure plots respondents' *net financial security* across age groups for each quarter from January 2023 to April 2026. *Net financial security* measures the difference between the proportion of respondents whose perceptions of their financial security have improved over the prior year minus the proportion whose perceptions have worsened.

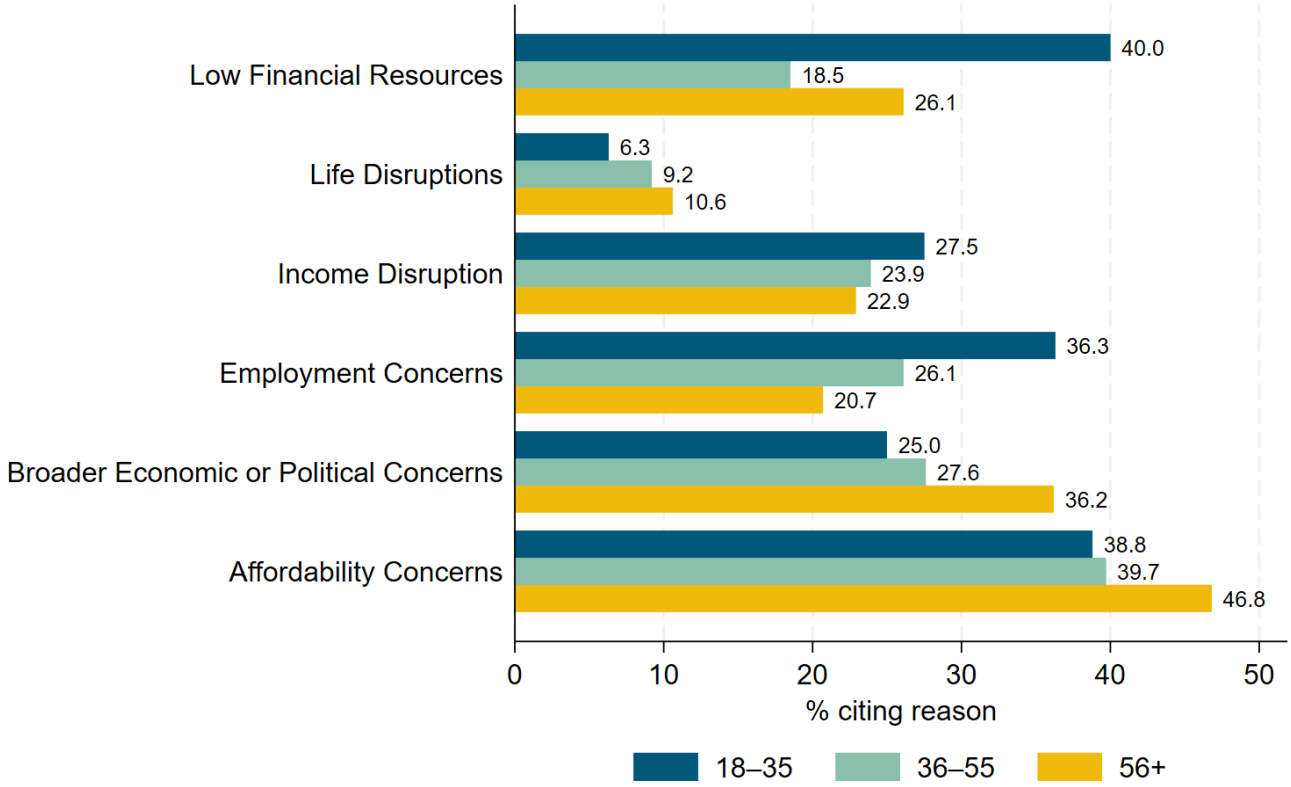
Concerns Influencing Perceptions of Financial Security

In the April 2026 LIFE Survey, respondents who reported a change in their perceptions of financial security were asked via an open-ended question to elaborate on why they felt either more or less financially secure. For this analysis, the responses from half of the respondents who said their perceptions significantly improved and half of the respondents whose perceptions significantly

worsened (N=453) were randomly selected and manually coded to identify key themes.[8] This section will only focus on responses from respondents who reported significantly lower financial security perceptions.[9]

Figure 2 displays the proportion of responses mentioning each theme, by age group, among those whose financial security perceptions significantly declined. For those ages 18–35, the most common reason mentioned for lower financial security perceptions was *low financial resources* (40 percent), followed by *affordability concerns* (38.8 percent) and *employment concerns* (36.3 percent). Meanwhile, for the oldest age group (56+-year-olds), the top two reasons for feeling less financially secure were *affordability concerns* (46.8 percent) and *concerns about the broader economic or political environment* (36.2 percent).

Figure 2. Cited Reasons for Significantly Lower Perceptions of Financial Security



Notes: The figure above displays the proportion of open-ended responses sorted into response categories relating to why respondents' perceptions of their financial security worsened. A random sample of responses (N=453) was selected and manually coded for each age group. Responses were collected in April 2026.

[8] If a respondent's open-ended response cited multiple reasons relating to why their financial security perceptions worsened, then their answer was categorized under multiple themes.

[9] To view reasons cited by respondents for higher financial security perceptions, see **Figure A1** in the appendix.

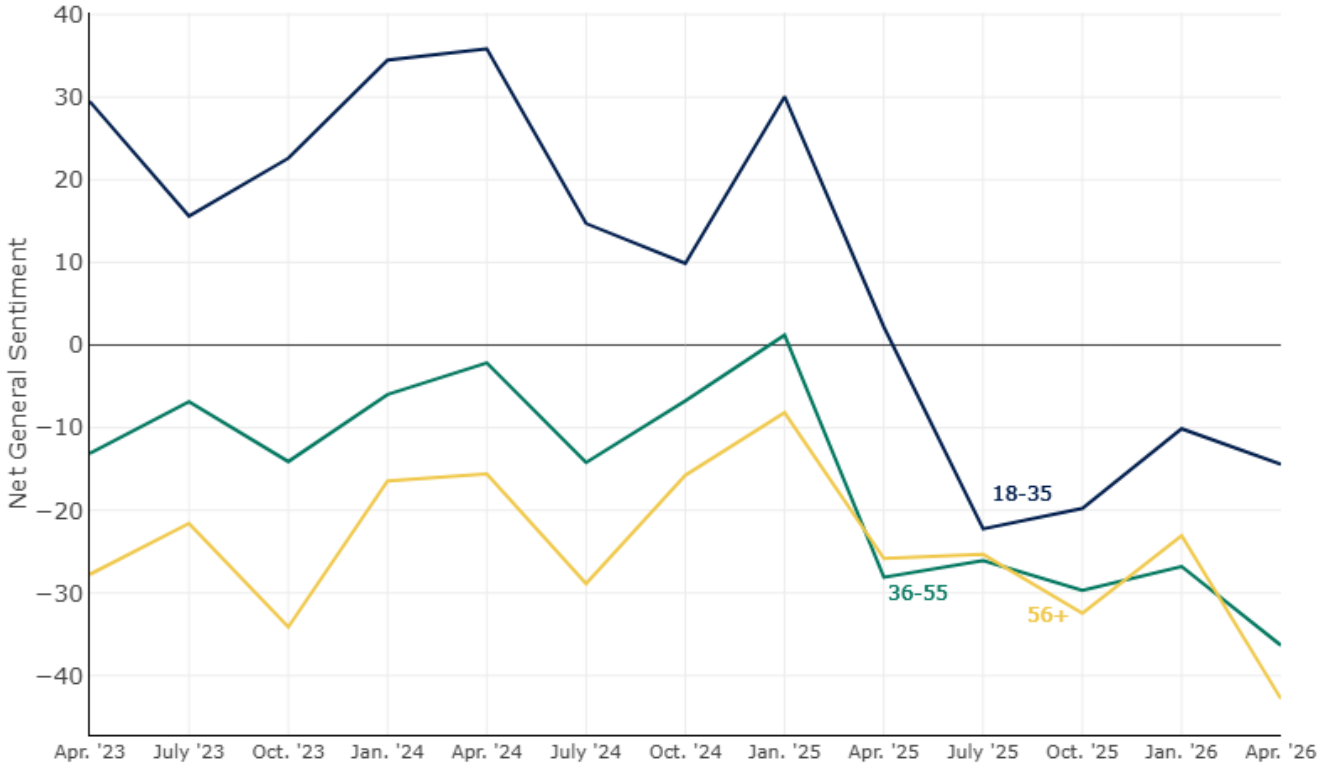
General Sentiment and Economic Outlook for the Future

As a robustness check, the following section analyzes how respondents' forward-looking expectations have changed as, on net, perceptions of financial security have declined. Taking the same approach used to calculate *net financial security*, *net sentiment* measures whether respondents' personal outlook for the future is more positive, negative, or unchanged about the coming months compared with how they felt a year ago.[10]

Figure 3 illustrates how *net sentiment* fell for all age groups in April 2025. Of note, the decline in *net sentiment* was concurrent with the drop in *net financial security.* The trend lines are similar; however, an important distinction is that young adults experienced a larger absolute decline in *net sentiment* than they did in *net financial security* (a decline of 52 points compared with 33 points, respectively, between January 2025 and July 2025). Subsequently, all age groups remain below their pre-January 2025 levels and have stayed negative since July 2025.

[10] *Net Sentiment* is calculated by subtracting the percentage of respondents who report feeling more negative about the months ahead, relative to a year ago, from the percentage reporting feeling more positive. The specific general sentiment question and response options are provided in the appendix.

Figure 3. General Sentiment Across Age Groups



Note: Net general sentiment is calculated as the difference between the share of respondents whose outlook today is more positive than their outlook last year minus those whose outlook is more negative than the prior year. The figure displays respondents' quarterly net general sentiment by age group from April 2023 to April 2026.

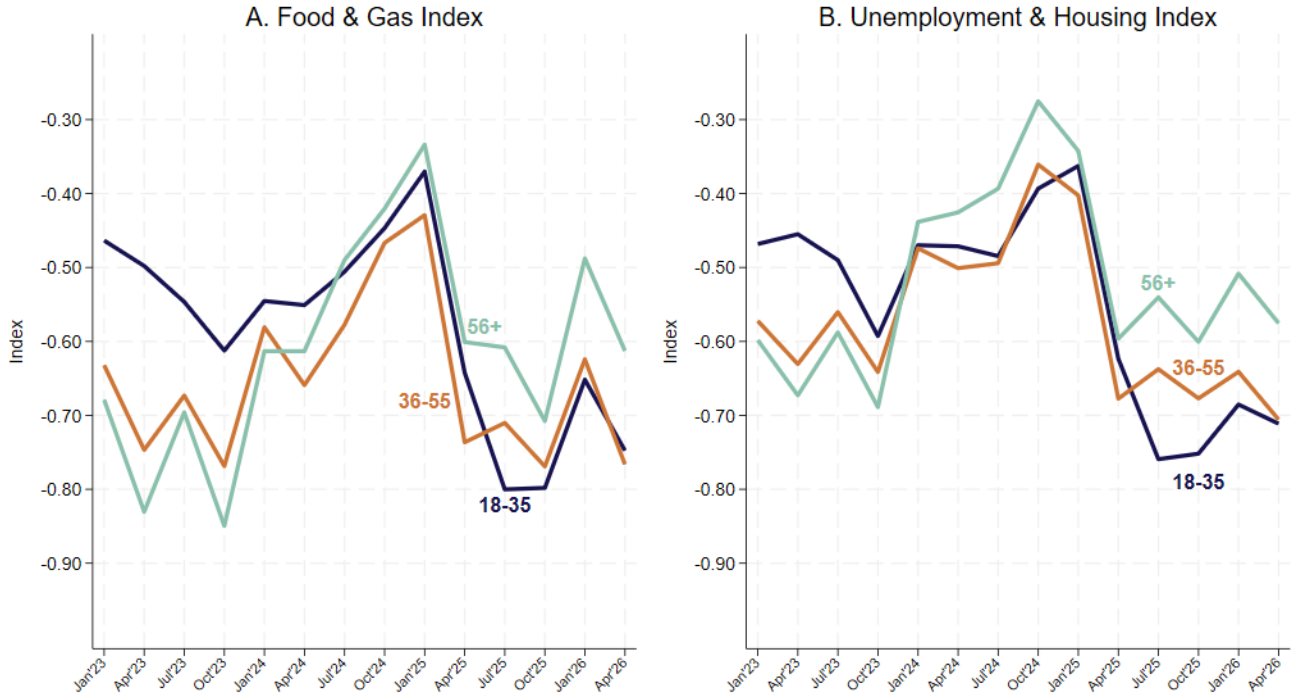
What factors might explain why general sentiment and financial security perceptions have declined? To explore this question, we present two additional indices of expectations: A *Food & Gas* index and an *Unemployment & Housing Cost* index.[11] The *Food & Gas index* — which is the average of two survey items capturing gas and food price expectations — assesses whether respondents believe everyday prices will decrease, stay the same, or increase over the next 12 months. The *Unemployment & Housing Cost* index, meanwhile, captures respondents' expectations for broader macroeconomic measures — this index was created by averaging individual survey items asking about expectations for the national unemployment rate, rent prices, and average mortgage rates. Initial responses to the survey items were answered using a five-point Likert scale, then translated to a numeric -2 to +2 scale in order to calculate a respondent-level mean for each index.[12] **Figure 4** displays the average of these measures across age groups. More positive index values correspond with the belief that prices or rates

[11] Cronbach's alpha — a statistical measure of reliability — confirms that the individual items within each index are closely related to each other, demonstrating good internal consistency. See Tavakol and Dennick (2011) for a detailed summary of Cronbach's alpha. The computed Cronbach's alpha for each index is Food & Gas (alpha=.71) and Unemployment & Housing (alpha=.77).

[12] *No change* is centered in the middle (0), while *significantly increase* (-2) and *significantly decrease* (+2) are placed at each tail. The question and response options can be found in the appendix.

will improve in the next 12 months, while negative values indicate that people expect prices and rates to worsen.

Figure 4. Economic Outlook Indices



Note: This figure plots the Food & Gas and Unemployment & Housing Cost indices for respondents by age group. The Food & Gas index includes measures of individual expectations for gas and food prices. The Unemployment & Housing Cost index reflects expectations for changes in the national unemployment rate, rent prices, and mortgage rates.

Figure 4, panel A plots the 12-month outlook for food and gas prices by age, showing people are typically pessimistic about future prices — i.e., they expect prices to increase. Furthermore, two changes are evident from the figure. First, expectations for these prices had been improving until January 2025 but worsened, for the most part, thereafter. Second, in the past, 18–35-year-olds had been at least as optimistic — or more optimistic — as other age groups; this observation reversed in 2025. From January 2025 to January 2026, the *Food & Gas index* fell by 0.28 for young adults, a 76 percent decrease. While price expectations worsened for all age groups, 56+-year-olds are now more optimistic compared with 18–55-year-olds.

The *Unemployment & Housing Cost* index also reveals that respondents tend to have a negative outlook on national unemployment along with average mortgage rates and rent prices over the next 12 months (**Figure 4, panel B)**. While these expectations seemed to be holding steady or improving in 2024 and early 2025, they subsequently worsened. This reversal was especially pronounced among young adults. These findings are in line with the trends observed in *net financial security* and *net sentiment* reported above.

Conclusion

Based on results from the LIFE survey, starting in 2025, young adults, who have historically been more optimistic, experienced a large decline in their perceptions of financial security. Among young adults who reported feeling significantly less financially secure in April 2026, respondents most frequently cited insufficient financial resources, affordability concerns, and employment concerns as reasons for their declining perceptions. Coinciding with weakening perceptions of financial security, respondents' general sentiment and future economic outlook also have worsened. While all age groups reported decreases to their personal sentiment, young adults displayed the largest decline out of all groups. Similarly, young people have also become more pessimistic about the future trajectory of prices for food and gas in addition to rent prices, mortgage rates, and the unemployment rate.

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Appendix

Survey Questions

Financial Security Question

Thinking about your overall financial security, how would you compare the way you feel financially **today** to how you felt **12 months ago**?
Select one response.

(1) I feel significantly more financially secure
(2) I feel slightly more financially secure
(3) I feel the same
(4) I feel slightly less financially secure
(5) I feel significantly less financially secure

Financial Security Reason Question

You said that you feel [more/less] financially secure than you did **12 months ago**. Can you briefly explain why you feel [more/less] financial secure?

General Sentiment Question

Based on your personal situation, your observations about the economy in your region, and events being reported in local and national news, has your outlook for the coming months changed since this time last year?
Select one response.

(1) I feel significantly more positive than I did at this time last year
(2) I feel more positive than I did at this time last year
(3) I feel the same as I did this time last year
(4) I feel more negative than I did this time last year
(5) I feel significantly more negative than I did at this time last year

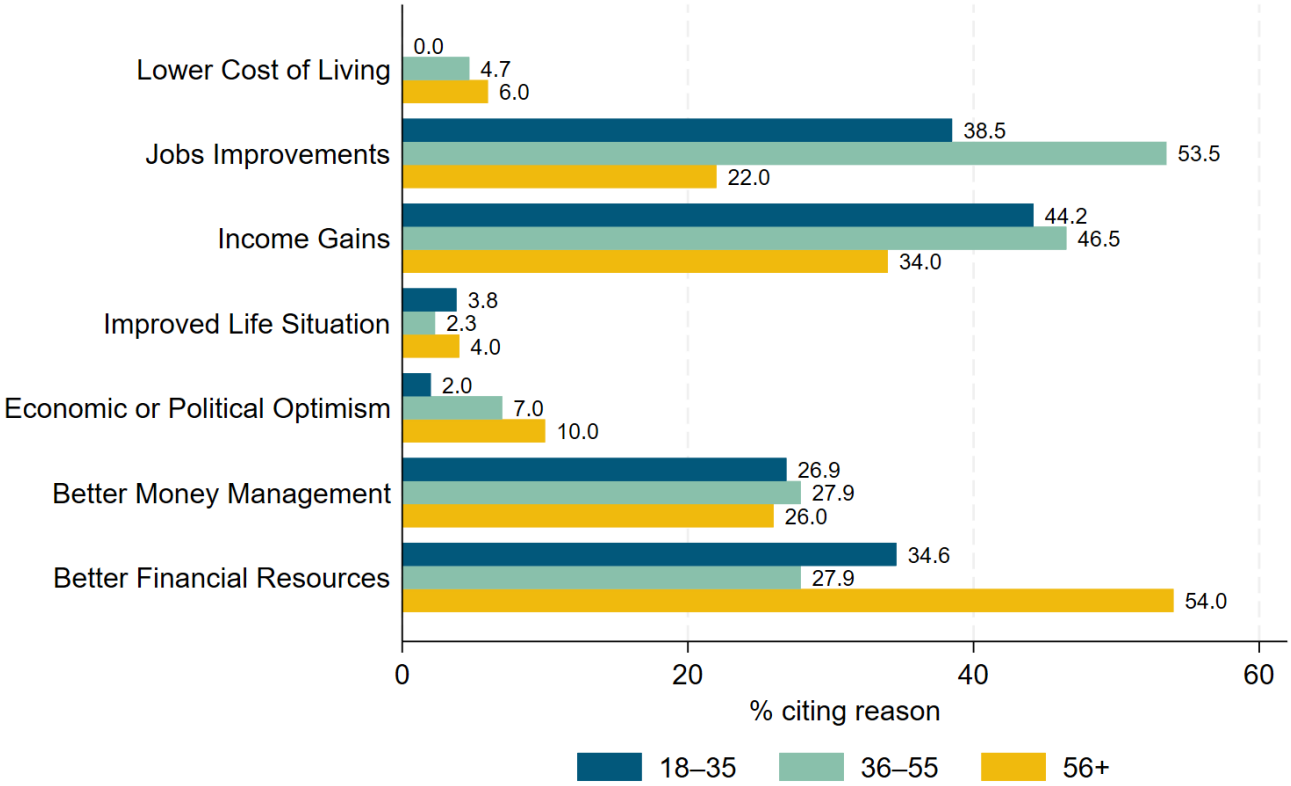
Economic Outlook Questions

Twelve months from today, how do you think the following economic measures will change?
Select one response for each.

(1) In 12 months, the price of a gallon of gas in your area will...
(2) In 12 months, the price of food at the grocery store...
(3) In 12 months, the cost of renting a typical house/apartment will...
(4) In 12 months, the national unemployment rate will...
(5) In 12 months, the average mortgage rate will...

(a) Significantly decrease
(b) Decrease
(c) Stay about the same
(d) Increase
(e) Significantly increase

Figure A1. Cited Reasons for Improved Perceptions of Financial Security



Notes: The figure above displays the proportion of open-ended responses sorted into response categories based on why respondents' perceptions of their financial security improved. A random sample of responses (N=145) was selected and manually coded for each age group. If a respondent mentioned multiple reasons why their perception improved, then their response was assigned to multiple categories.