



Outlook on American Life | 2023



For a better view,
turn your phone sideways

Who Are Middle Americans Today?

Twenty million tax returns tell us they're not who they used to be.



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A farmer from Iowa. A teacher from Tennessee. A minister from Missouri. Americans who work hard to earn a modest living.

That used to be Middle America. Is it today?



Middle America Matters.

Middle America—households with income between **\$45,000 and \$145,000**—describes most of us.

This year's Outlook on American Life report provides eye-opening insights on some of the less visible forces shaping the economy. It tells the story of two Middles, Millennials and Baby Boomers, revealing how they live and work, their concerns, and how they see their income prospects going forward. Not surprisingly, **their lifestyles differ, but their outlook and many of their choices converge**—and neither Middle behaves as middle-income earners did just 20 years ago.

We know because we've been assisting Middle Americans since 1965. Last year, **Block helped 20 million people**—most of them in the middle-income bracket—file their taxes. Every year, all year long, we help our clients hold onto more of their income.

But let's first dig into our insights. Think Middle Americans are married with two kids and a mortgage? Working 9 to 5? Retiring at 65?

Keep reading to learn more.



Block Knows Middle America

H&R Block assists 20 million American households in filing their tax returns every year, making us uniquely positioned to paint a portrait of Americans.

In this year's Outlook on American Life study, we asked: "who are middle Americans today?"

To answer this question, we analyzed a dataset representing **10.5 million filers we assist in one of our 9,000 offices**. Among them, 4.6 million, or 44%, report an Adjusted Gross Income (AGI) ranging between \$45,000 and \$145,000, considered middle income.

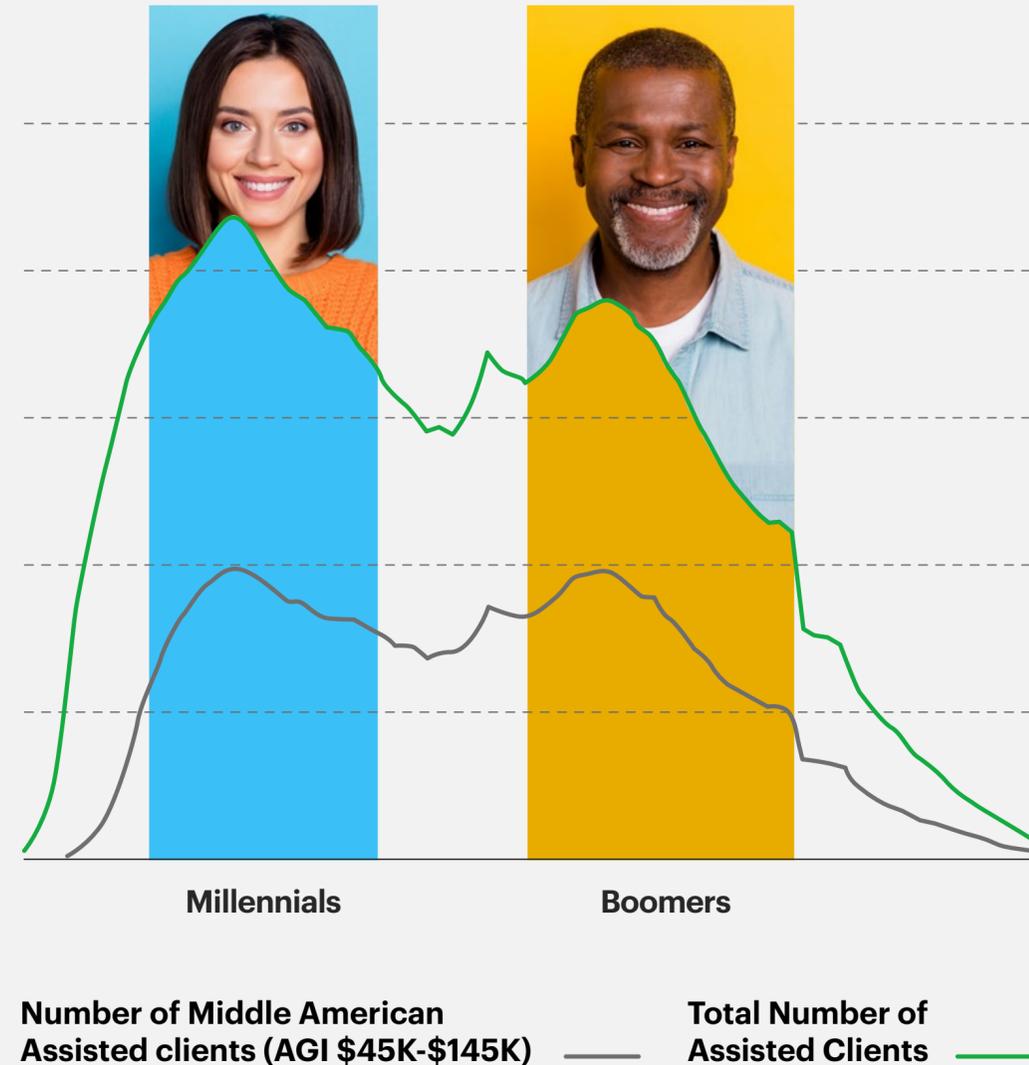
Going back to 2000, **we analyzed almost a billion data points from this population subset**. We combined it with data from a general survey H&R Block commissioned to understand "Middle America." We found a nuanced and surprising portrait of this over-generalized term and often ignored demographic.



A New Middle Emerges — at Both Ends

While our assisted-return clients include Gen Z through the Silent Generation, we see the highest averages **around 32 and 65 years old**, Millennials and Baby Boomers.

Interestingly, the same holds true when we limited our dataset to those who report adjusted gross income between \$45,000 and \$145,000 annually—indicating that **there isn't one Middle American, but rather two**, Millennials and Boomers.





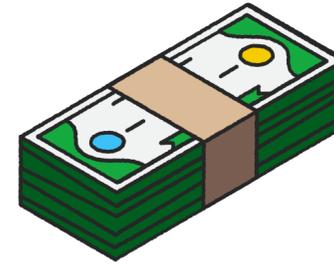
Middle Americans Aren't Married

Only **43%** of **Millennials** — **30%** fewer than a generation ago—filed jointly in 2023. While half of **Boomers** filed jointly, that's **20%** less than in 2000.



Middle-Income Millennials Work the Hardest

On average they work two jobs, whereas other generations average just one. **1 in 4** plans to start a business; **1 in 3** plans to work for an app-based company.



Incomes Aren't Keeping Up

The majority of Middle Americans make under **\$80K** per year. While incomes rebounded from pandemic lows, inflation has gutted gains.



Middle Americans No Longer Live in the Middle

Today, middle-income **Millennials** and **Boomers** are most likely to be living on the **coasts**.



Never — or No Longer — Married

Only 43% of Millennials and 50% of Boomers in our middle-income bracket file jointly.

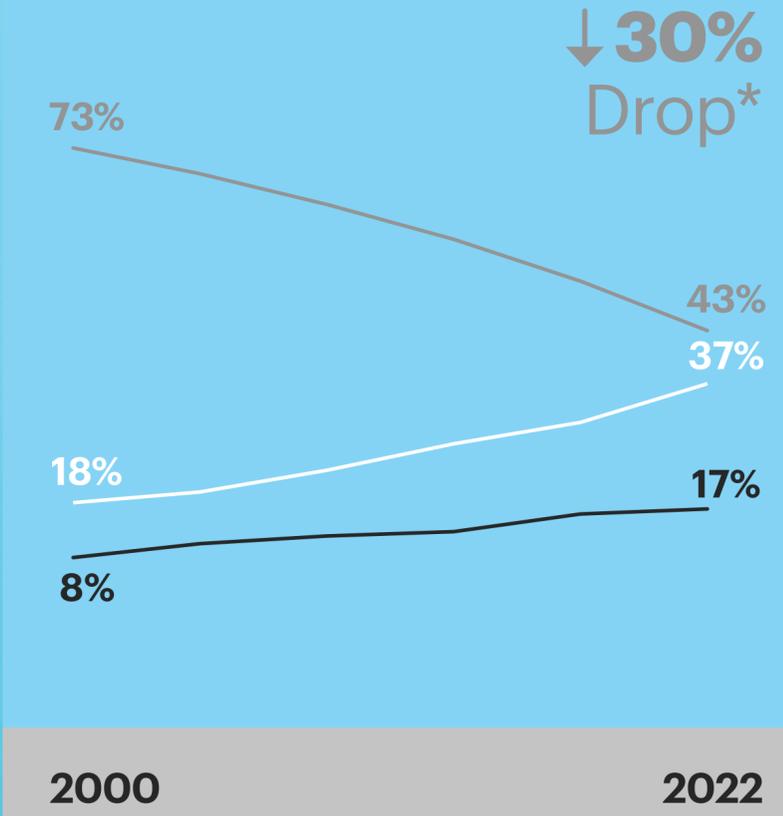
That’s dramatically lower than a generation ago. In 2000, **73%** of Middle Americans between the ages of **25** and **44**, and **70%** of those over the age of **55**, filed jointly. While these trends conform to national data showing Millennials marrying later (if at all) and married Boomers divorcing prior to retiring, we were surprised by the steepness of the lines.



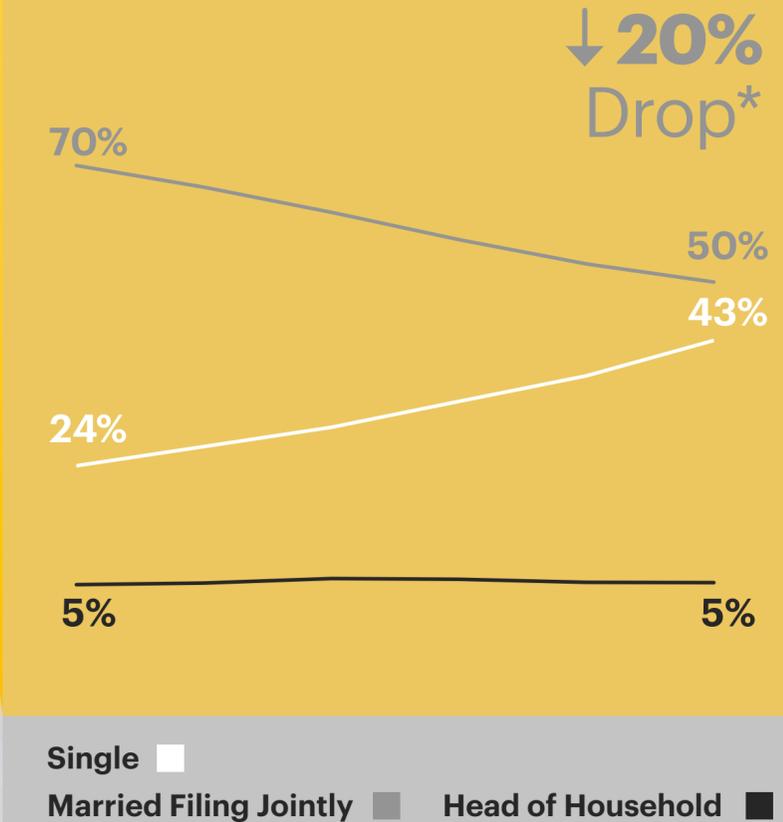
Is Middle America shying away from walking, running, or jogging down the aisle?

* As compared to their same aged cohort in 2000

Filers Ages 25-44



Filers Ages 55+

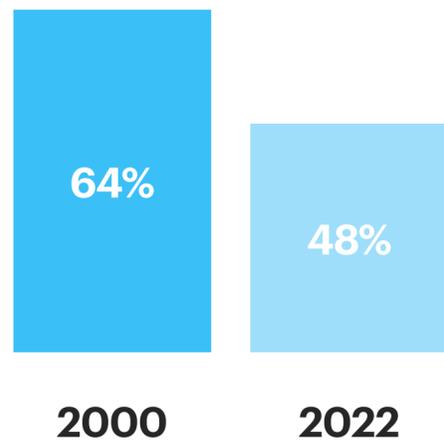


- Single
- Married Filing Jointly
- Head of Household

Nesting Later, Emptying Sooner

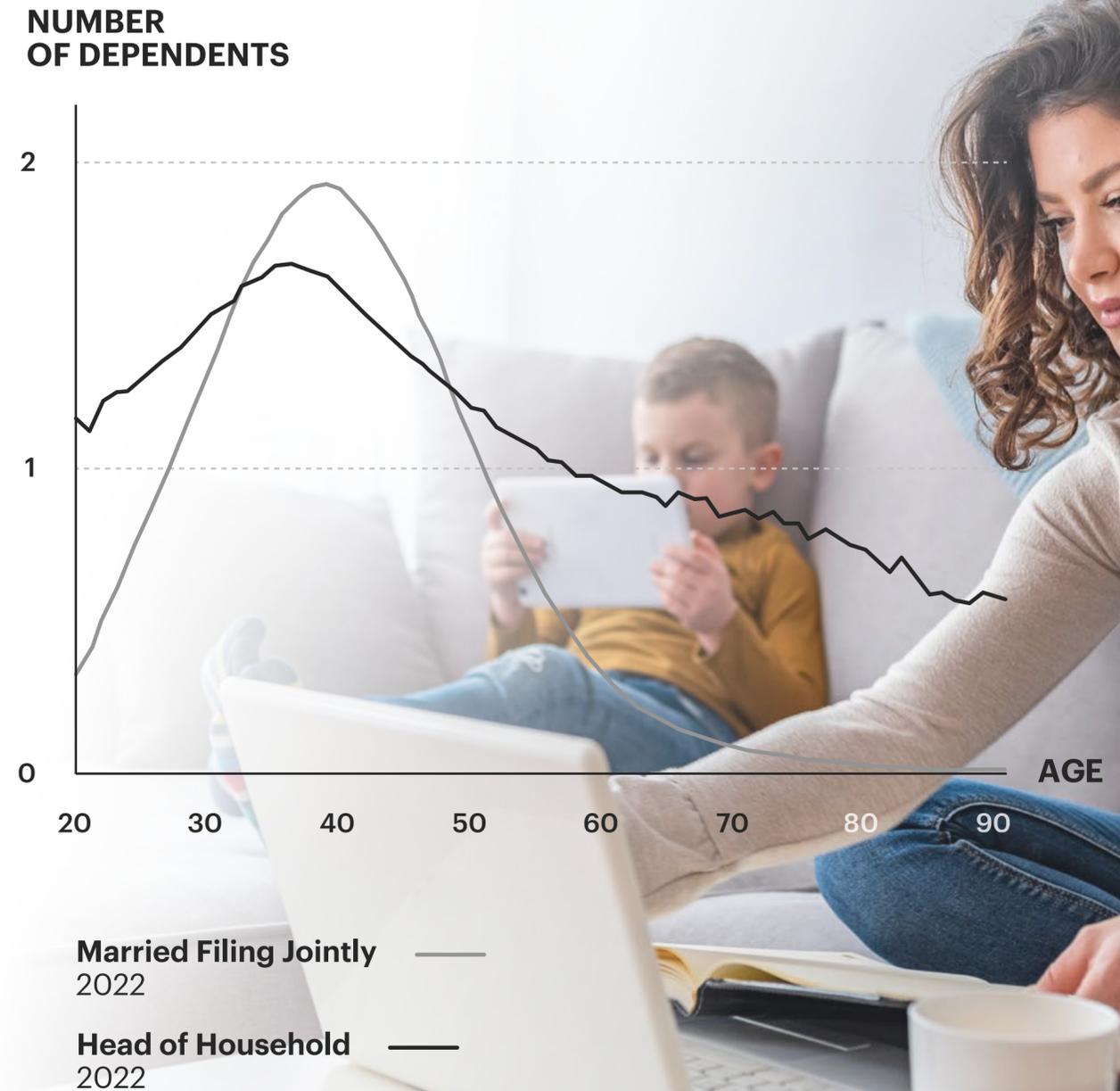
Between the ages of **33** and **49**, those filing jointly report more dependents than those filing as heads of household, as might be expected given the need for two incomes to support larger families.

But the data also suggests that married couples have children later and empty the nest sooner than heads of households — a trend that has intensified since 2000.



In 2022, only 48% of middle-income Millennial tax filers reported having a dependent living at home. In 2000, 64% of our clients in this age and income bracket said they did.

Average number of dependents living at home



The Middle's Outlook on Income

To better understand the demographic trends, **we surveyed 1,007 taxpayers** aged 18 and above, with 40% of them being Millennials (ages 25-44) and 42% being Boomers (55+).

We found that for those who reported a household income of \$45,000–\$145,000, **the majority earned under \$80,000**, which is consistent with the median US household income of \$70,784.

“Interest rates and inflation rates have caused my minuscule raise to feel like a decrease in income.”

42% of Millennials say they are better off this year than last, and **58%**—more than any other generation—say their income has increased over the last few years. Yet only half (**53%**) are satisfied with the pace of their gains.

“My income is not keeping up with inflation.”

65% of Boomers are dissatisfied with their income growth. **42%** say they are worse off this year compared to last. **38%** believe their financial situation will remain the same. **28%** believe it will get worse.

Most Millennials (65%) Feel Financially Insecure

44% feel overwhelmed by financial burdens. **62%** are extremely concerned about inflation.

43% intend to acquire a new skill.

Millennials are the generation most likely to buy on credit and ask for an advance on a pending tax refund.

Despite being the most likely to have children under 18, Millennials are the most likely of all generations to be renting their residence.

On average Millennials work two jobs, whereas other generations average just one.

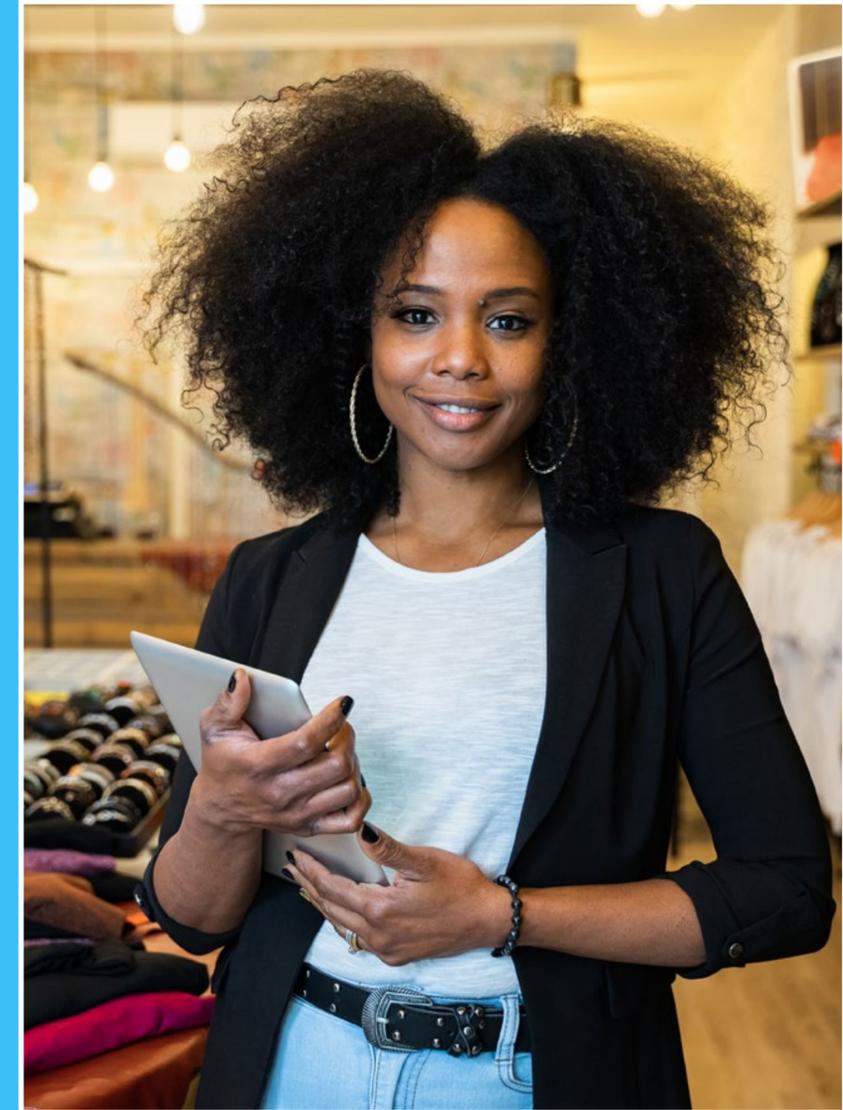
1 in 4 plans to start a business.
1 in 3 plans to work for an app-based company.

“I can somewhat keep up with expenses but I still don’t have a cushion for stability.”

Still, Millennials are hopeful: **67%** (more than any other generation in our sample) believes that next year their income will go up.



Think Millennials don’t like to work? Think again. Millennials thrive on that 9-5 and 5-9 grind, with many reporting working two jobs.





Two out of three Boomers are extremely concerned about inflation.

Like other groups, most (**62%**) have postponed large purchases because of it. Fully **70%** expect inflation to continue rising.

76% of Boomers own their home — the highest percentage among generations.

Boomers are the least likely to buy (11%) or sell a home (10%) and change their living situation over the next 12 months. **A mere 7%** say they will move in with family or friends.

Middle-Income Boomers Are
Pushing Out Retirement

“Because I’m 60 and do not have nearly enough saved for retirement.”

44% of Boomers in our sample are retired. Nearly as many — **38%** — are working fulltime. A few (**13%**) work part-time. **10%** say they have a side hustle.

“Because I’m working extra hours in order to make more money.”

Nearly **90%** of Boomers know what’s in their bank account at any given time.



A maintained lawn isn’t the only thing uniting Boomers – **65%** claim they’re dissatisfied with their income growth.



**Middle-Income Boomers Are saving,
investing or paying off debt.**



Only one in five Boomers — compared to one in three younger taxpayers — would make a purchase without having saved up for it first.

Like other generations, if given \$500 today, most Boomers would use it to pay bills or buy groceries.

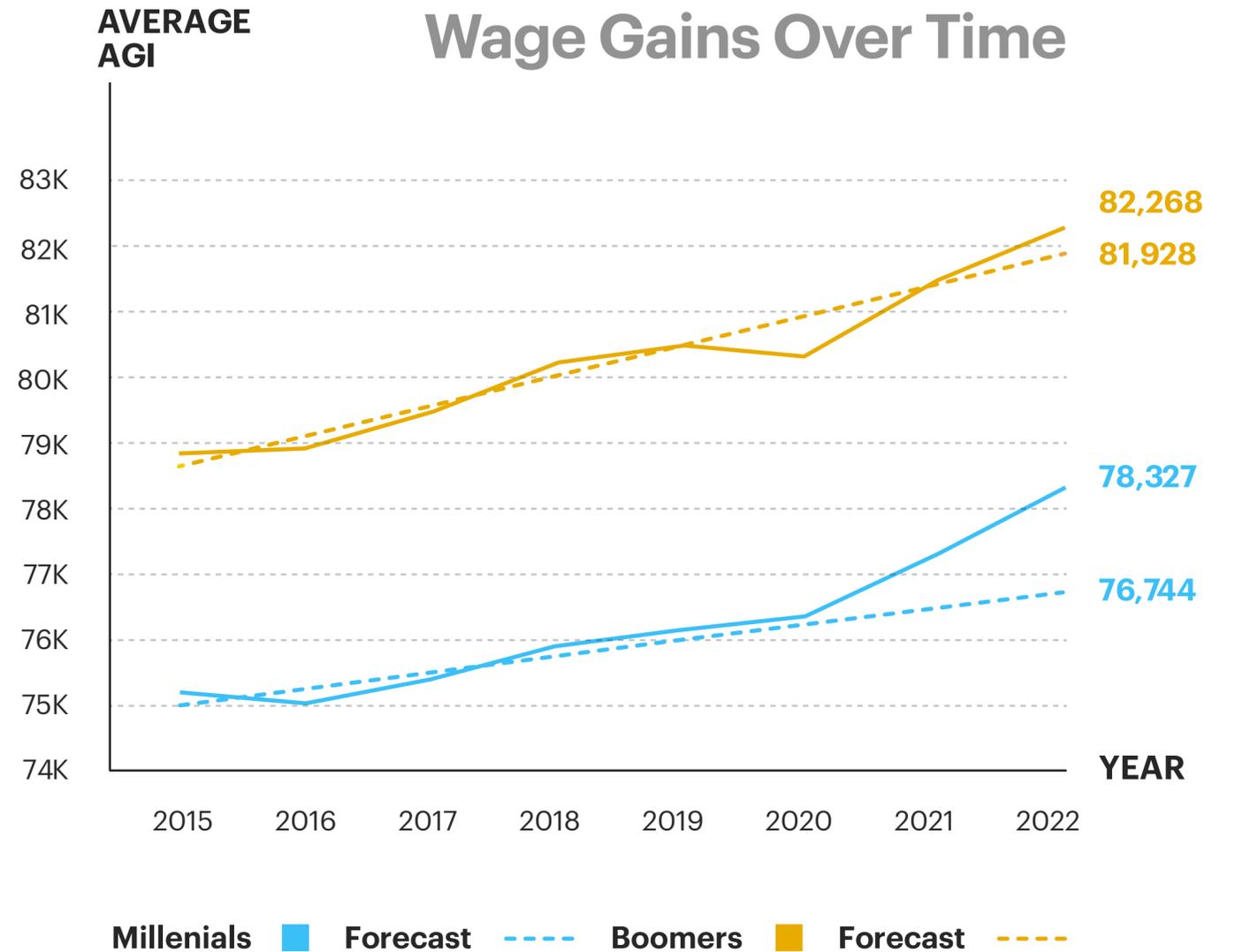
More than others, however, they are inclined to save it, invest it, or put it toward medical expenses.

In 2022 Incomes Rebounded

Although incomes took a hit in 2020, **Millennials and Boomers recovered in 2022**. In fact, the AGI (Adjusted Gross Income) reported for both Millennials and Boomers in 2023 exceeded what the historical trend lines predicted.



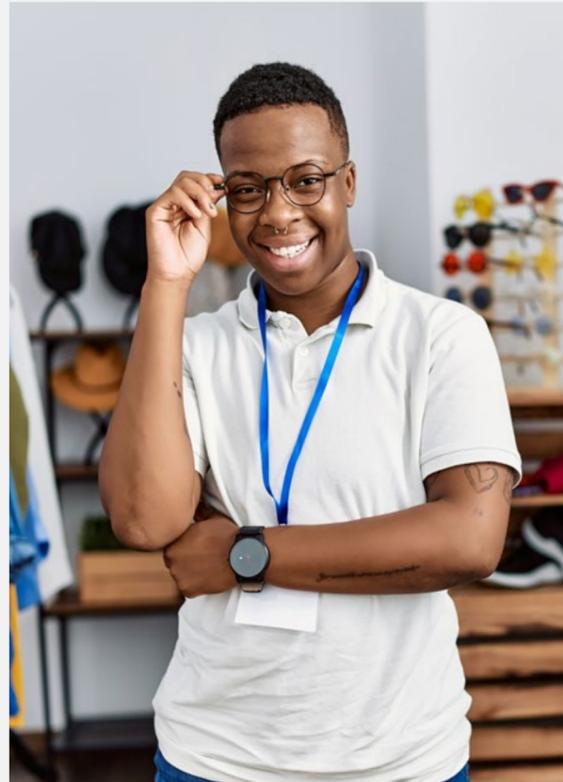
Millennials are on the grind and on the road. Luckily, ride share drivers can deduct anything from mileage to passenger snacks.



**5 Most Common Occupations
of Middle Americans**



1. Teacher



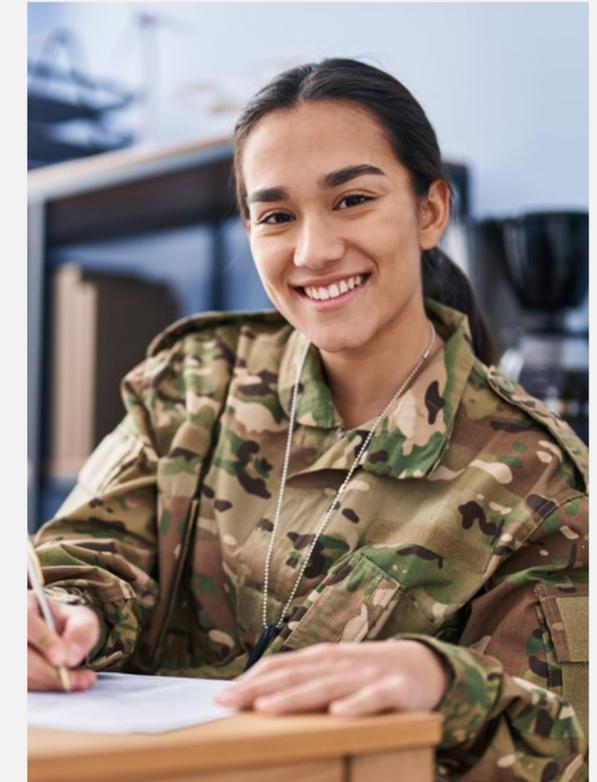
2. Manager



3. Truck Driver



4. Salesperson



5. Military

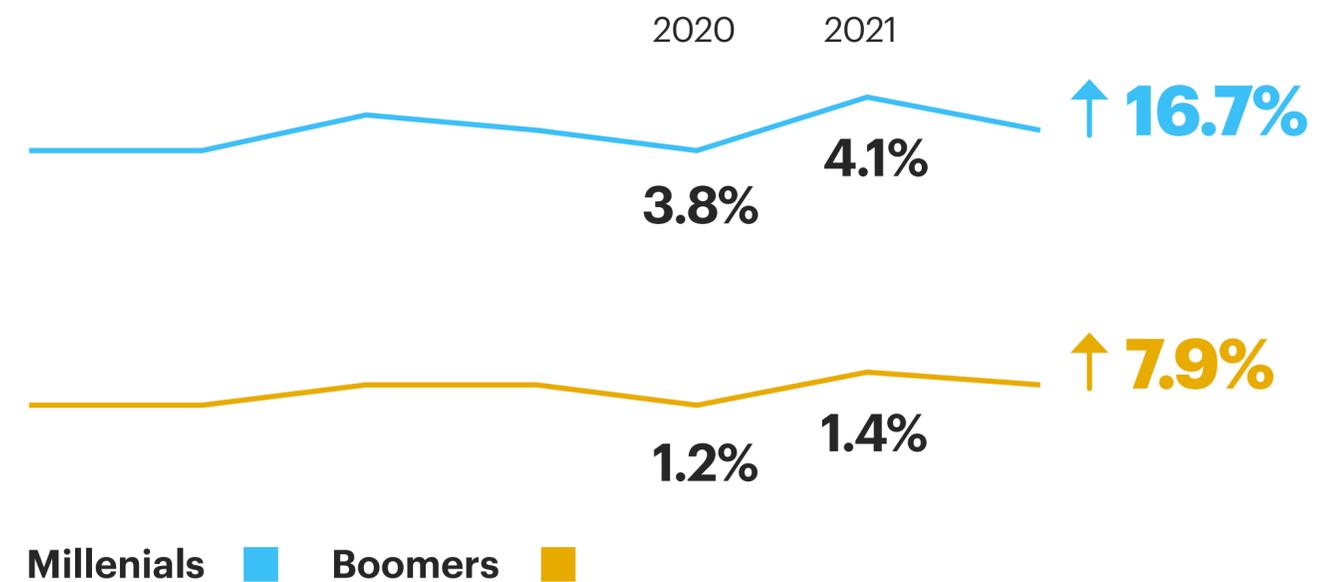
No Longer Living in the Middle

In 2020, rolling lockdowns and persistent uncertainty dampened state migration rates across all age groups. But as travel resumed, migration rebounded.

In 2021, Millennials were **16.7%** more inclined to change states than they were prior to the pandemic; Boomers were **7.9%** more inclined.

Where did they wind up? Not in the heartland.

Propensity to Change States by Age



WHAT DO TEXAS, FLORIDA, CALIFORNIA, NORTH CAROLINA, AND VIRGINIA HAVE IN COMMON?
They are the hottest places to live for Millennials. Their kombucha game is about to be elite.

BOOMERS CAN'T GET ENOUGH OF FLORIDA, TEXAS, ARIZONA, NORTH CAROLINA, AND SOUTH CAROLINA. It's their top destination to move to. Get ready for a lawn off.

Where Middle Americans Move?

THE EARLY BIRD GETS THE TAX RETURN.
People in West Virginia, Arkansas, Maine, Tennessee, and Wyoming were the first states to file their taxes this year.

Top 5 Destinations for Out-of-State Arrivals

1. Phoenix, Arizona
2. Las Vegas, Nevada
3. San Antonio, Texas
4. Tampa, Florida
5. Houston, Texas

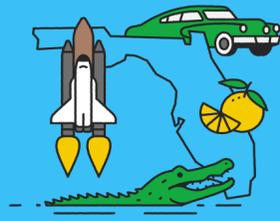
Top 5 Destinations for In-State Movers

1. Phoenix, Arizona
2. Round Rock, Texas
3. New Port Richey, Florida
4. Lakeland, Florida
5. San Antonio, Texas

Millennials moved to:



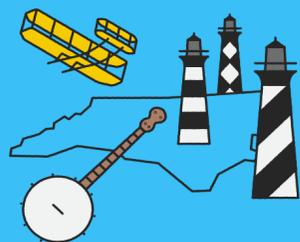
TEXAS



FLORIDA



CALIFORNIA



NORTH CAROLINA

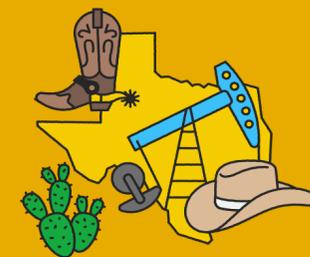


VIRGINIA

Boomers moved to:



FLORIDA



TEXAS



ARIZONA



NORTH CAROLINA



SOUTH CAROLINA

Middle Americans No Longer Live in the Middle



Biggest Winners

Middle Americans who moved to (and within) Arizona overwhelming chose Phoenix, which added **8,000** residents in 2021. Those moving to Texas chose San Antonio, whose population increased by **4,000**.



Biggest Losers

Middle Americans who moved to California avoided its major cities. In 2021, Los Angeles lost **11,000** residents, and San Diego, **5,000**.

If you're riding an untethered hot air balloon in **Kansas** and **Missouri**, not only is that very cool but it's also not subject to sales tax.



Boise or Bust

Idaho and South Carolina populations grew by **5%**, the largest increase among all 50 states.

To the **100-year-olds** in **New Mexico**, **Congratulations**, for being a centenarian and being exempt from state income tax. 100 looks great on you.



Back to the Mainland

Hawaii saw **6%** of its population pack up and leave during the pandemic — the largest loss by state — with Honolulu losing more residents than Chicago and Brooklyn. Alaska was a close second, shedding **5%** of its population, mostly from Anchorage.

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