# 6 reasons America's middle class faces a bleak financial future

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The American middle class was once the foundation of much of American society. But since the 1980s, the wealth gap between the rich and middle class has grown wider. Americans are getting either richer or poorer; there has been a drop in the percentage of middle-income households across the nation.

If you're feeling the struggle, there are many contributing factors. Read on to find out why the middle class faces some tough odds.

## Essential Costs Are Rising

By definition, the middle class does not live in poverty. But that doesn't mean it isn't in difficult financial straits. A major cause of this financial distress is overspending.

Housing costs are the biggest expenditure the middle class contends with. The biggest sources of debt include housing and higher education, according to the Federal Reserve Bank of New York.

The problem, however, is that this spending can't just be stopped or reduced. Much of it is essential for providing middle-class children the quality of life that their parents had, or better, according to The Atlantic. But nowadays, the cost to provide that standard of living has risen dramatically.

## Education Is More Expensive Than Ever

One of the biggest concerns for middle-class families is securing a good education for their kids. Its part of a long-standing desire to provide better access to education than the parents had when they were younger.

However, it's become harder to carry out this tradition in recent decades. It's not just about the ever-rising cost of a college education. The cost of even gaining access to good public schools can be difficult, according to The Atlantic. Where public schools are better, houses tend to cost more; where houses are more expensive, the tax base is larger, providing schools with higher-quality resources. And such high-quality schools drive housing demand, which creates a vicious cycle

## College Education Isn’t Worth What It Once Was

Despite rising education cost, the value of college education — a bachelor's degree — in terms of its impact on career earnings has stagnated for years, according to the National Bureau of Economic Research.

The college wage premium is the income reward due to having a college education versus not having one in the workforce. The wage premium from college attainment is certainly better than not getting a bachelor's degree, or failing to complete high school. However, the wage premium has not moved much in favor of college graduates, The Washington Post reported.

And in recent years, the percentage of college graduates taking jobs that don't require a college degree has risen. Part of this is due to a much greater supply of college-educated young people than had existed in the past.

# Student Debt Burdens the Middle Class More Than Ever

On top of the reduced ROI of college, graduates now face a national student debt total of over $1.3 trillion. Here are some milestones to put this student debt crisis in perspective:

- According to the Federal Reserve Bank of New York, 2017 marked the 18th consecutive year the country's education debt increased.
- Since 2009, outstanding loans for education have doubled.
- No other form of household debt has risen as much as student debt since 2009.

Accruing student debt in a country in which college graduates are already having a tough time getting a job is a recipe for financial distress. Carrying that debt into post-college life, which comes with many new expenses, makes maintaining a middle-class life more challenging.

# There Are Fewer Middle-Income Households

Student debt is rising, but across the U.S., the share of adults living in middle-income households is falling. From 2000 to 2014, 203 out of 229 U.S. metropolitan areas experienced a drop in the share of middle-income adults. By contrast, 160 metro areas saw an increase of people in lower-income households, and 172 metro areas had an increase of people in upper-income households, according to the Pew Research Center.

More unsettling is that this pattern fits the bigger trend. The overall share of America's middle-income households dropped from 61 percent in 1971 to 50 percent by 2015, according to Pew.

# Wealth Inequality Is Getting Worse

The wealthiest 10 percent of U.S. households earn approximately 28 percent of income in this country, The Washington Post reported, citing data from the Organization for Economic Cooperation and Development. But here's the kicker: the study found that same segment holds 76 percent of U.S. wealth, which is a higher percentage than in similarly wealthy nations.

The Washington Post pointed out that income is about what you earn. Wealth, on the other hand, is what you own — like your house, car, retirement savings and so on — and it can self-perpetuate, which means the rich stay rich. With such a large percentage of U.S. wealth being held by the richest few, one can see how the other 90 percent could be struggling to thrive.