WHITE PAPER | OCTOBER 2026

Defining the Middle Class

A Framework for What It Costs to Live a Middle Class Life in America Today

About This White Paper

This white paper is a foundational piece of the **Middle Class Index** — a collaboration between the **Living Wage Institute** (LWI) and the **Charles L. Shor Foundation** (CSF). LWI is developing the methodology and the index, and CSF is funding the work as partner and supporter. Together, we're working to define what a middle class life requires in America today and to measure what it costs in communities across the country. The Middle Class Index is a public benefit project intended to be refreshed over time.

The **Living Wage Institute** is a benefit corporation building the data and tech-enabled services that help every employer design compensation and benefits that work for workers and business. We are committed to building an America where every worker can meet their family's basic needs. Our living wage data is used by employers, researchers, and policymakers to understand what it takes for a family to cover its basic needs where it lives. Producing it means pricing a household budget line by line, place by place, and for different family types. The Middle Class Index uses that same approach to answer a harder question: what it takes for a family to cover today's needs while also building toward the future.

The **Charles L. Shor Foundation** helps individuals enter, sustain, and advance within the middle class, with a focus on skilled trades, durable manufacturing careers, and practical economic mobility. Its research and data arm, the Blue Collar Dollar Institute (BCDI), studies the wages, workforce pathways and economics behind those careers. The Foundation's programs, including scholarships, emergency support, hands-on learning, credentialing, and employment pipelines into the trades, put that research to work.

Efforts to help people enter and stay in the middle class need a clear, shared picture of what they're aiming for. The Middle Class Index is meant to provide one: a transparent, place-based measure that communities across America can use to understand what a middle class life costs. **The full index launches in 2027.**

Suggested Citation: Living Wage Institute. "Defining the Middle Class: A Framework for What It Costs to Live a Middle Class Life in America Today." 2026. www.middleclass.us.

Overview

The middle class is among the most invoked concepts in American public life, and has been central to American economic identity since the postwar era. Following World War II, mass homeownership, union wages, and expanded access to higher education created a broad, economically stable middle class. The GI Bill alone sent nearly eight million veterans to college and helped over four million of them buy homes, shaping the standard by which Americans still measure their economic lives.[1]

Today, the promise of the middle class—often synonymous with the American Dream—is under strain. Rising food, housing, healthcare, and education costs far outpace wage growth,[2] leaving households with little room to save for the future.[3] What's more, the standard of middle class life set in the postwar era has never been redefined to reflect what middle class membership actually requires today. Without that shared definition, career pathways are designed without goalposts for economic stability, policy interventions miss intended households, and families lack a reliable way to assess their economic position.

In this paper, we define the American middle class as the normative standard of living that allows families to meet their present needs and build financial security for the future *where they live*. A middle class budget covers the day-to-day household costs while also allowing a family to save, plan for retirement, and weather a crisis without falling behind. Our framework captures both present financial stability *and* future security, with future security most sharply distinguishing a middle class budget from a living wage.

> **KEY TERMS**
>
> **Financial Stability:** Being able to cover the cost of your family's current needs with enough margin to make choices based on preference, not just necessity.
>
> **Financial Security:** Being able to absorb shocks and surprise expenses, and build savings for the future.
>
> **Living Wage:** What a typical full-time worker must earn on an hourly basis to cover the cost of their family's minimum basic needs where they live without relying on any safety nets. A living wage is a pathway to a minimal but adequate level of financial stability.

[1] "75 Years of the GI Bill: How Transformative It's Been," U.S. Department of Defense, January 9, 2019, available online.

[2] Misael Galdámez, "What's Driving Living Wage Growth in 2026?," Living Wage Institute, April 14, 2026, available online; Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2024* (Cambridge, MA: Harvard University, 2024), available online; Hannah Stephens and Andre M. Perry, "In Every Corner of the Country, the Middle Class Struggles with Affordability," Brookings Institution, December 2, 2025, available online.

[3] Board of Governors of the Federal Reserve System, *Economic Well-Being of U.S. Households in 2024*, Washington, DC: Federal Reserve System, May 2025, available online.

© 2026, Living Wage Institute, Inc. All rights reserved.

How Researchers Define and Measure the Middle Class

Despite its centrality to American life, no single, shared definition of the middle class currently exists, and researchers identify the middle class differently depending on their purpose. The simplest approach used is to identify the middle class as the households in the middle of the income distribution. The Brookings Institution, for example, defines the middle class as the middle 60% of households by income, or those earning between the 20th and the 80th percentile.[4] This approach makes it easier to measure the middle class over time, and theoretically gives policymakers a clearer picture of who the middle class is and what they need.[5]

Although income-based definitions tell us where households rank relative to each other, they don't tell us what their income actually affords. The same spot on the income ladder looks radically different in San Francisco, CA than it does in Dayton, OH, and identical standing in the income distribution does not translate into an equal ability to afford housing, save for the future, or weather a financial shock. The gap widens further when household size, race, and wealth are taken into account.[6] Income-based definitions may also understate the cost of living over time, as they do not consider the rising cost of credit—mortgages, car loans, and interest—that eats into purchasing power.[7]

A second approach currently used by researchers defines the middle class by its associated values, practices, and expectations. With this framing, middle class identity is shaped by the beliefs and feelings Americans associate with economic security, upward mobility, stability, the dignity of work, and community.[8] For example, some Americans point to a four-year college education as the threshold for middle class entry, while others point to job type—like white-collar or knowledge-based occupations—as a class marker.[9]

A values-based approach has the advantage of capturing how Americans understand and experience middle class identity. However, specific middle class markers and their value shift

[4] Richard V. Reeves and Katherine Guyot, "There Are Many Definitions of 'Middle Class'—Here's Ours," Brookings Institution, September 4, 2018, available online.

[5] Richard V. Reeves, Katherine Guyot, and Eleanor Krause, "Defining the Middle Class: Cash, Credentials, or Culture?" Brookings Institution, May 8, 2018, available online.

[6] George W. Zuo, "A Consumption-Based Definition of the Middle Class," *Social Indicators Research* 164, no. 3 (December 2022): 1249–1270, available online.

[7] Marijn A. Bolhuis, Judd Cramer, and Lawrence H. Summers, "The True Cost of Living," *Finance & Development*, December 2024, available online.

[8] Emily Engel and Turan Oral, "Renewing the Promise of the Middle Class: Evidence and Insights from Research," Federal Reserve Bank of Chicago, 2019, available online.

[9] Reeves, Guyot, and Krause, "Defining the Middle Class: Cash, Credentials, or Culture?"

© 2026, Living Wage Institute, Inc. All rights reserved.

with economic conditions, geography, and lived experience, making any single, shared definition difficult to maintain.

A third approach defines the middle class by what households actually consume rather than what they earn or conceptually aspire to. Where income measures what households bring home and wealth measures what they have accumulated, consumption captures what households are able to buy. The most rigorous consumption-based frameworks extend beyond present spending: "a middle class lifestyle is not just characterized by current utility but also the potential trajectory of utility over the life cycle."[10]

This forward-looking dimension—the capacity to save, build, and plan—is what most sharply distinguishes a consumption-based definition from an income-based one. The central challenge of this approach, however, is that it requires researchers to define what a middle class consumption basket actually includes, a determination that is inherently normative. Reasonable researchers disagree about which goods and services belong in the basket, making consumption-based definitions harder to replicate consistently and more sensitive to assumptions built into the underlying framework.[11]

How Americans Define the Middle Class

How Americans understand the middle class includes aspects of all three approaches currently used by researchers. For most people, middle class membership has always carried an orientation toward the future, rooted in the postwar promise that steady work would compound into a paid-off home, educated children, and a stable retirement. Survey data, academic literature, and public comment data reveal that the aspiration to secure one's future remains as central to middle class identity today as any present consumption marker.

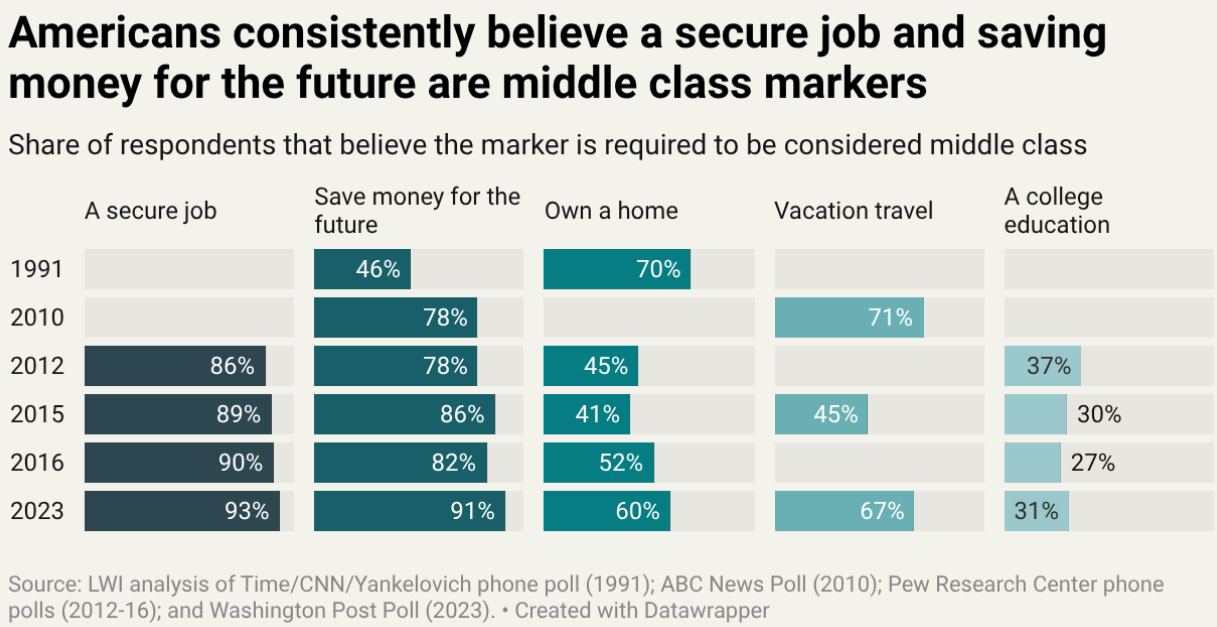
Over three decades, Americans have consistently ranked saving money for the future as a top indicator of the middle class, rising from 46% in 1991 to 91% in 2023. A secure job tracks similarly, with over 86% of respondents identifying it as a required middle class marker since 2012. The importance Americans place on homeownership tracks broader trends: people are more likely to identify owning a home as central to a middle class lifestyle in stable economic times than in unstable ones. Today, over half of American voters under 30 say owning the

[10] Zuo, “A Consumption-Based Definition of the Middle Class.”
[11] Reeves, Guyot, and Krause, "Defining the Middle Class: Cash, Credentials, or Culture?"

© 2026, Living Wage Institute, Inc. All rights reserved.

home they want is out of reach, and three-quarters say they cannot afford the life they feel they should be able to.[12] **SEE FIGURE 1**

FIGURE 1



In 2023, Americans were most likely to associate middle class membership with present financial stability and future security. Survey respondents agreed that a secure job (93%), saving money for the future (91%), affording emergency expenses (90%), paying bills without worry (90%), access to health insurance (89%), and saving for retirement (87%) were all central to being middle class. **SEE FIGURE 2**

Where Americans disagree about middle class membership is on discretionary items like eating out and taking vacations, and on the role of a college education. For some, these items represent the texture of a life that allows participation in shared American experiences and *feels* recognizably middle class. For others, they represent lifestyle inflation: expectations that have drifted upward from a postwar baseline and now obscure a simpler, more defensible core. One Washington Post commenter put it directly:

[12] The New York Times, "Cross-Tabs: January 2026 Times/Siena National Poll of Registered Voters," *The New York Times*, January 22, 2026, available online.

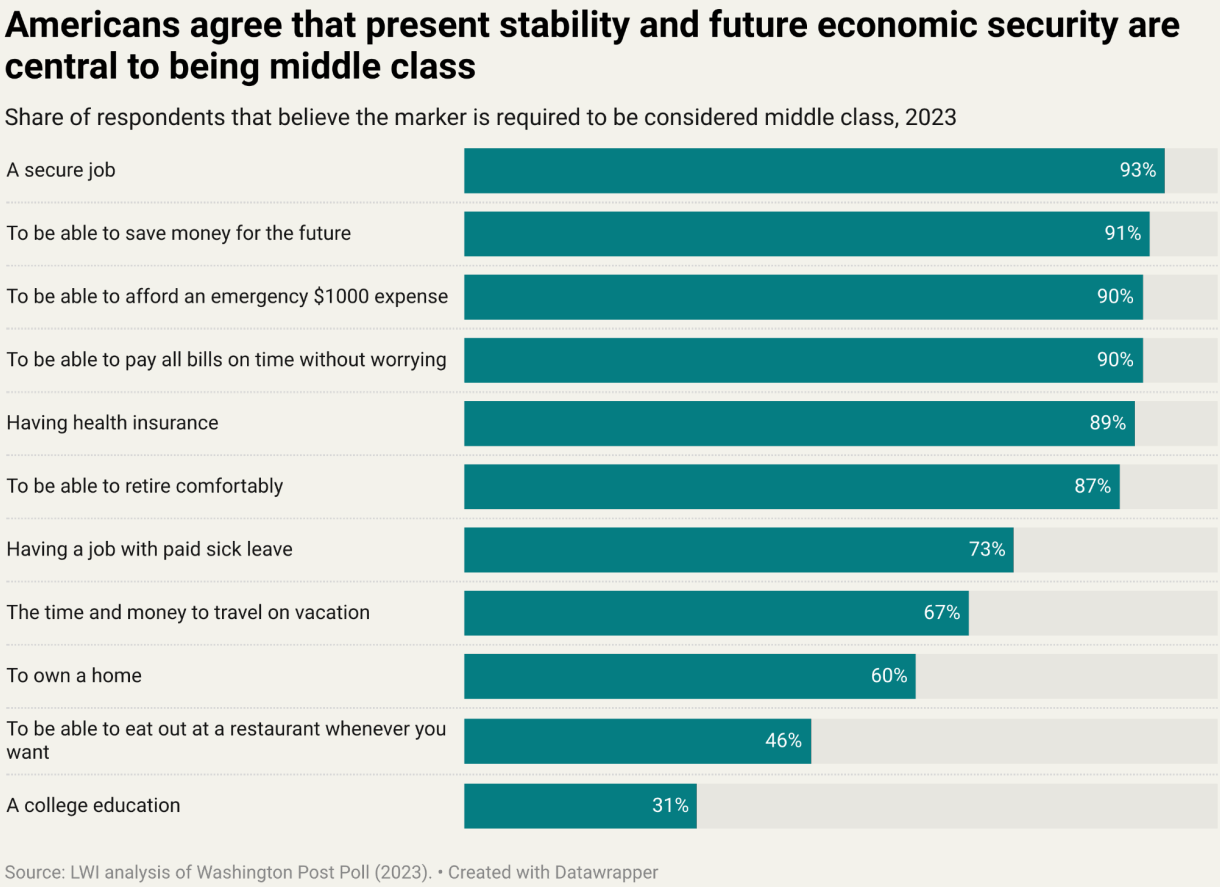
© 2026, Living Wage Institute, Inc. All rights reserved.

QUOTE

"Middle class has a mathematical definition—the middle 20% of household income. What you are talking about here is more of a desired lifestyle, which can shift based on expectations—do you have the 1950s expectation of a 1,200 sq ft house, or a modern expectation of a 2,500 sq ft house? Do you have the 1950s expectation of rarely going out to eat, or the modern expectation of eating out multiple times a week? Once you start talking lifestyle instead of math you are talking about expectations, and people can have both reasonable and unreasonable expectations of what life owes them."[13]

The pattern is consistent with the survey data: Americans broadly agree on the markers they feel they are losing—retirement security, housing stability, healthcare that works—and disagree most sharply on the markers that are aspirational rather than foundational. Still, most Americans remain optimistic about their own prospects, with 69% expecting to achieve the American Dream for themselves.[14]

FIGURE 2



[13] AndyTK2, comment on "How Americans Define a Middle Class Lifestyle — And Why They Can't Reach It," *Washington Post*, February 15, 2024, available online.

[14] Stephen Raynes, "American Dream Endures as U.S. Approaches 250 Years," *Gallup*, June 17, 2026, available online.

© 2026, Living Wage Institute, Inc. All rights reserved.

Access to Middle Class Resources is Unequal

Yet Americans are far less confident that everyone can get there. Less than half of Americans (46%) believe everyone in the country has the opportunity to achieve the American Dream.[15] That skepticism is grounded in history. Access to the resources associated with economic stability and future security—homeownership, a quality job, and post-secondary training or education—has not been equally available to all Americans.

Many Black, Latino, Asian, and Native American communities have faced distinct but overlapping barriers to homeownership. For example, during the postwar era, federal redlining maps graded Black and Latino neighborhoods as "hazardous," making them ineligible for FHA loans and steering capital away from entire communities.[16] And despite the GI Bill's favorable borrowing terms, Black veterans were significantly less likely to benefit due to discrimination in lending and local program administration.[17] Today, 73% of white households own their homes, compared to just 51% of Latino and 46% of Black households.[18]

Access to stable, well-compensated work has also been uneven. The National Labor Relations Act (1935) and the Fair Labor Standards Act (1938) explicitly excluded agricultural and domestic workers from minimum wage, overtime, and collective bargaining protections, sectors where Black, Latino, and Native American workers were most concentrated.[19] Black workers remain disproportionately likely to be laid off first during economic downturns, a pattern that has held for four decades.[20]

Education has long been positioned as the pathway into the middle class for those shut out of other routes. Black and Latino Americans identify it as essential to middle class membership at higher rates than white Americans.[21] Yet even with a bachelor's degree, Black and Latino graduates earn significantly less annually than white graduates, meaning the cost of the

---

[15] Ibid.

[16] Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (New York: Liveright, 2017); Ira Katznelson, *When Affirmative Action Was White: An Untold History of Racial Inequality in Twentieth-Century America* (New York: Norton, 2005).

[17] Uchenna Agbai, "Wealth Begins at Home: The Housing Benefits of the 1944 GI Bill and the Reproduction of Black-White Inequality in Homeownership and Home Value," *American Journal of Sociology* (2024), available online.

[18] Gabriella Carmona, Rodrigo Dominguez-Villegas, Mariah Bonilla, and Xalma M. Palomino, *Sueño Incompleto: A History of the Latino Wealth Gap in the U.S.* (Los Angeles: UCLA Latino Policy and Politics Institute, April 14, 2026), available online.

[19] Rebecca Dixon, *From Excluded to Essential: Tracing the Racist Exclusion of Farmworkers, Domestic Workers, and Tipped Workers from the Fair Labor Standards Act*, Testimony before the U.S. House of Representatives Education and Labor Committee, Workforce Protections Subcommittee, May 3, 2021 (New York: National Employment Law Project, 2021), available online.

[20] Kenneth A. Couch and Robert Fairlie, "Last Hired, First Fired? Black-White Unemployment and the Business Cycle," *Demography* 47, no. 1 (February 2010): 227, available online.

[21] Pew Research Center, "What Americans Say It Takes to Be Middle Class," February 4, 2016, available online.

© 2026, Living Wage Institute, Inc. All rights reserved.

educational pathway to the middle class is structurally higher for the households that rely on it most.[22]

Geography compounds these disparities. Not only does geography shape middle class costs, it also shapes who can reach it. Research from Opportunity Insights finds that the neighborhood a child grows up in has lasting effects on their economic outcomes: children who moved to better-resourced neighborhoods before age 13 were more likely to attend college and earned 31% more in early adulthood.[23] The community a family lives in shapes the trajectory available to them, independent of their effort or talent.

Taken together, these realities—unequal access to homeownership, work, and education, compounded by geography—mean that there is no single middle class experience in America. What membership requires looks different depending on where you live, who you are, and which pathways are available to you. Rather than imposing a single national standard, a middle class framework should establish a meaningful baseline for financial stability and future security while giving households the flexibility to define middle class life on their own terms.

The Middle Class Budget

The definitions and lived experiences explored above point toward a common foundation: the middle class is not simply a position in the income distribution, but a standard of living defined by the capacity to meet present needs for financial stability and build toward future financial security.

Our middle class budget covers the full cost of a stable, dignified working life today and adds the forward-looking tier of savings, planning, and security that Americans consistently identify as the heart of middle class membership. This is the dimension that most sharply distinguishes a middle class budget from a living wage: not just stability today, but the realistic capacity to build toward tomorrow.

The budget framework is built on three key principles. First, it is structured around **choice**. Americans agree on the core of what middle class life requires—a stable job, accessible healthcare, the ability to save—but disagree at the margins. Rather than resolve that

[22] Carmona et al., *Sueño Incompleto: A History of the Latino Wealth Gap in the U.S.*

[23] Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," *American Economic Review* 106, no. 4 (2016): 855–902, available online.

© 2026, Living Wage Institute, Inc. All rights reserved.

disagreement, the framework provides a meaningful baseline and enables households to decide what goes inside it. Second, the framework preserves the **option** to have a family. The budget does not presume children, but it is sized to make that choice possible. A budget that cannot support the option for a family is not truly a middle class budget.

> **DEFINING FAMILY**
>
> The model is built around a two working adult, two child household, the most common household composition in the U.S. The middle class does not presume a family, but budgets for the option of having one, reflecting the idea that a middle class income should afford the choice to have a family.

Third, the framework is **place-based**. Each budget reflects local costs in the community where a household actually lives.

Tier 1 Costs: Financial Stability (Present Needs)

Tier 1 covers the full cost of present dignified financial stability, expanding on the basket of basic needs typically associated with a living wage, to account for the consumption patterns Americans associate with middle class life.

01 **Childcare** includes full-time center-based care, backup care, and after-school enrichment. Usage of paid childcare rises with income, reflecting that it becomes normative at middle class income levels.[24]

02 **Discretionary** spending covers vacation, dining out, recreation, entertainment, and fitness memberships, the categories Americans disagree most about. Our framework establishes how big the discretionary category should be, based on these common discretionary items; households can then decide how it gets allocated.

03 **Food** is based on the U.S. Department of Agriculture's Moderate Food Plan, which represents a nutritious diet with a variety of vegetables, fruits, and proteins prepared at home at median consumption levels.[25]

[24] Board of Governors of the Federal Reserve System, *Economic Well-Being of U.S. Households in 2024* (Washington, DC: Federal Reserve System, 2025), available online.

[25] The moderate food plan reflects food spending in the 50th to 70th percentiles. For more information, see U.S. Department of Agriculture, Food and Nutrition Service, "USDA Food Plans," Washington, DC: U.S. Department of Agriculture, March 24, 2026, available online.

© 2026, Living Wage Institute, Inc. All rights reserved.

04 **Healthcare** covers employer-sponsored insurance, dental, vision, and out-of-pocket costs. 89% of Americans say health insurance is required to be considered middle class.[26]

05 **Housing** is modeled along two pathways—renting and homeownership—reflecting the reality that both are legitimate and structurally different financial situations. Today, 60% of Americans say owning a home is necessary to be middle class, yet the average first-time homebuyer is now 40, and the interest payment on a new 30-year mortgage has nearly tripled since 2019.[27] Neither pathway is presumed, and both are priced to enable choice.

06 **Personal care and household goods** cover a mid-tier branded basket of personal care, cleaning supplies, paper goods, and household maintenance supplies.

07 **Taxes** are modeled to earmark a family's federal, state, and local income and payroll tax liabilities.

08 **Technology** covers the cost of high-speed home internet, a mobile device with a data plan, and the annual cost of owning a home computer.

09 **Transportation** accounts for full car ownership costs for a moderately-priced new car—including monthly payments and ongoing maintenance—vehicle miles traveled for both work and non-work trips, and the cost of public transit where available.

Tier 2 Costs: Financial Security (Future Orientation)

Tier 2 captures what Americans consistently identify as the defining dimension of middle class membership: the capacity to absorb shocks and build toward the future.

10 **Emergency savings** targets a 3–6 month income buffer. 37% of American adults cannot cover a $400 emergency expense.[28] The absence of that buffer is what separates a household that is middle class from one that is one crisis away from true instability.

11 **Higher education savings** covers 529 college savings plans or equivalent savings toward a child's post-secondary education, whether that is a four-year college, a trade program, or a professional certification. Post-secondary training remains a primary pathway

[26] "*The Washington Post*-Ipsos Poll on the Middle Class," *The Washington Post*, November 3–6, 2023, available online.
[27] Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2024*.
[28] Ibid.

© 2026, Living Wage Institute, Inc. All rights reserved.

to middle class status and one that requires significant advance planning to access affordably.[29]

12 **Life insurance** covers the premium payments for term life insurance—a policy that pays out a benefit to designated beneficiaries upon the policyholder's death—a standard component of middle class financial planning that is particularly critical for single-earner households and those with young children.

13 **Retirement savings**, modeled at 10–15% of income, represents the highest-ranked middle class marker in survey data, with 87% of Americans calling it essential.[30]

14 **Student debt repayment** is included as a toggle, enabling direct comparison between households with and without loan burden. A substantial share of outstanding student debt sits with middle-income households, making it one of the most consequential variables in middle class financial life today.[31]

Conclusion

The postwar middle class standard that still shapes how Americans measure their economic lives was never meant to be permanent. It was a product of a particular moment, built for a particular economy. That moment has passed. What remains is the aspiration it encoded: that steady work should compound into stability today and security tomorrow. The Living Wage Institute's framework offers the standard definition that rebuilding the middle class requires, grounded in who Americans are, where they live, and what a middle class life actually costs today.

[29] Engel and Oral, "Renewing the Promise of the Middle Class."

[30] "*The Washington Post*-Ipsos Poll on the Middle Class."

[31] Board of Governors of the Federal Reserve System, *Changes in U.S. Family Finances from 2019 to 2022: Evidence from the Survey of Consumer Finances* (Washington, DC: Federal Reserve System, 2023), available online.

© 2026, Living Wage Institute, Inc. All rights reserved.

Acknowledgements: This white paper was researched and authored by the Living Wage Institute's Misael Galdámez, with editorial review from Emily Abramson, Kavya Vaghul, and Sara Horowitz and with generous funding and support from the Charles L. Shor Foundation.

© 2026, Living Wage Institute, Inc. All rights reserved.