



Affordability: The Defining Issue of the Year and What It Means for Investors

Political campaigns often hinge on emotion as much as economic data, and this year's elections underscored that dynamic. Across the country, candidates framed their message around a single, powerful theme: **affordability**. Voters across New York, Virginia, New Jersey, and other regions responded with notable consistency. Concerns about the rising cost of living outpaced nearly every other political issue, highlighting affordability as both an economic indicator and a reflection of broader public sentiment.

For investors, the increased focus on affordability provides more than political context. It creates an opportunity to understand how cost-of-living pressures influence consumer behavior, household balance sheets, and policy debates that may affect markets over time.

Affordability Has Replaced Inflation as the Dominant Economic Narrative

Over the past several years, inflation has been a central topic in economic discussions. However, the public conversation has shifted. While inflation measures the rate at which prices rise, affordability speaks to whether individuals can sustain their standard of living within the current price environment.

Inflation is analytical. Affordability is experiential.

It affects decisions such as purchasing a first home, securing childcare, managing healthcare expenses, and allocating income toward discretionary spending. As pollster Frank Luntz noted, "Affordability means being able to buy the house you want, the health care you need, and the food and fuel that keep you alive."

Survey data supports this shift. An Associated Press poll of more than 17,000 Americans found that cost of living concerns surpassed crime, immigration, and other issues as the primary factor motivating voter turnout. In New York City, 70% of voters indicated that housing affordability was a major concern, and more than half viewed cost of living as the city's most pressing issue.

This represents a broader transition from focusing on price changes to focusing on the real-world impact of sustained higher prices.

Why Affordability Challenges Feel So Significant

Even though inflation has slowed from its 2022 peak, price levels remain elevated. Essential categories such as housing, healthcare, childcare, insurance, and utilities have experienced sustained increases that outpaced wage growth for many households. While families may welcome slower inflation, they are still navigating a cost environment that has structurally shifted.

Housing offers one of the clearest examples. National home prices have risen by roughly 31% over the past five years. In Virginia, the median sale price reached approximately \$455,500, a significant increase over earlier years. In New Jersey, the median price rose to about \$563,100. Median rent in New York City climbed to \$2,481, placing it among the highest in the country. These dynamics have made homeownership feel less accessible for many individuals and families.

Other essential expenses show similar trends. Childcare costs have increased faster than overall inflation, healthcare premiums and out-of-pocket costs continue to rise, and insurance costs have moved higher across many regions. The cumulative effect contributes to a sense of financial strain.

Affordability is therefore both an economic and emotional concept, capturing the gap between financial expectations and day-to-day experiences.

Are Americans Actually Worse Off? A Look at the Data

Despite the widespread concern, many financial indicators present a more positive picture. Household net worth reached record levels in 2024, supported by rising home values, strong labor markets, and gains in investment accounts. Lower-income and mid-income households saw meaningful percentage increases in wealth compared to earlier periods. Savings trends have improved, and most borrowers continue to maintain manageable debt levels.

Still, public sentiment remains cautious.

Economist Allison Schrager summarized the disconnect by noting that although Americans may be wealthier on paper, many do not feel financially secure. Several factors contribute to this:

1. Expectations have not kept pace with costs

Families often compare current conditions to earlier decades, when housing and healthcare were lower relative to income. That comparison can amplify perceptions of strain.

2. Household experiences vary widely

Borrowers who secured low mortgage rates in 2020 or 2021 have benefited from fixed housing costs and rising home equity. Renters, however, have faced repeated increases. Younger adults entering the workforce encounter higher borrowing costs and increased competition for limited housing supply.

3. Essential expenses are more difficult to adjust

Households can reduce discretionary spending, but core needs such as housing, healthcare, and childcare offer fewer opportunities for flexibility.

These factors help explain why affordability remains a potent issue despite strong headline economic data.

How Affordability Is Likely to Shape Policy and Markets

Given its prominence, affordability is likely to influence legislative and regulatory initiatives at both state and federal levels. While the direction and timing of policy outcomes are uncertain, several themes are receiving increased attention:

Housing Supply and Zoning Initiatives

Lawmakers may advance programs aimed at expanding housing supply through zoning reform, construction incentives, and support for affordable housing development.

Healthcare Cost Discussions

Efforts to address prescription drug prices, expand access to preventive care, and reduce out-of-pocket costs may remain central within policy conversations.

Labor and Wage Proposals

Discussions around wage standards, worker protections, and workplace benefits may continue under the broader goal of improving the cost of living.

Targeted Fiscal Support

Temporary assistance measures — including childcare credits or energy-related rebates — may be considered in response to household cost pressures.

Potential Market Implications

Depending on implementation, affordability-related initiatives could influence various sectors:

- Housing, construction, and infrastructure-related industries may benefit from supply-focused programs.
- Healthcare sectors may experience changes depending on cost-reduction proposals.
- Companies with large labor forces may see their cost structures influenced by wage policies.
- Expanded fiscal measures may affect long-term deficit trends.

These outcomes are not guaranteed and may evolve based on legislative priorities and economic conditions.

Considerations for Investors and Households

Although affordability challenges are shaping consumer sentiment, individuals can take steps to maintain financial resilience. The following concepts are general considerations and are not intended as personalized advice:

1. Monitor Cash Flow Regularly

Reviewing budgets periodically and adjusting for persistent cost increases can help households stay aligned with their financial goals.

2. Evaluate Opportunities to Secure Fixed Rates

When planning major purchases, some individuals may consider exploring fixed-rate financing options as a way to enhance predictability. Interest-rate movements are uncertain and can vary over time.

3. Maintain a Long-Term Perspective

Market performance can fluctuate, and short-term sentiment does not always reflect underlying

economic conditions. A diversified, long-term approach can help reduce the influence of day-to-day market volatility.

4. Explore Real Asset Diversification

Certain investment strategies — such as real estate investment trusts (REITs), infrastructure funds, or inflation-linked securities — may help mitigate the impact of rising costs. These strategies also involve risks and may not be suitable for all investors.

5. Stay Informed About Tax and Policy Changes

Updates to tax credits, energy incentives, or healthcare regulations may affect after-tax returns. Individuals may benefit from periodically reviewing their tax-efficiency strategies with a qualified professional.

The Broader Perspective

Affordability may be the word of the year, but its underlying themes have long shaped perceptions of economic stability. Americans often define prosperity not only by asset values but by how confidently they can meet essential expenses and plan for the future. Today, that sense of stability feels strained for many households, even as aggregate financial indicators appear strong.

For policymakers, a central challenge will be aligning economic growth with accessible, sustainable living standards. For investors, the challenge is separating sentiment from fundamentals and preparing for a landscape shaped by both economic forces and consumer perception.

Understanding affordability — both as an economic metric and an emotional gauge — may help individuals and investors make more informed decisions in an evolving environment.

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