

# Is the “K-Shaped Economy” as bad as it seems?

Main Management Research · March, 2026

**+82%**

S&P 500 Total Return  
Dec 2020 – Dec 2025

**+35%**

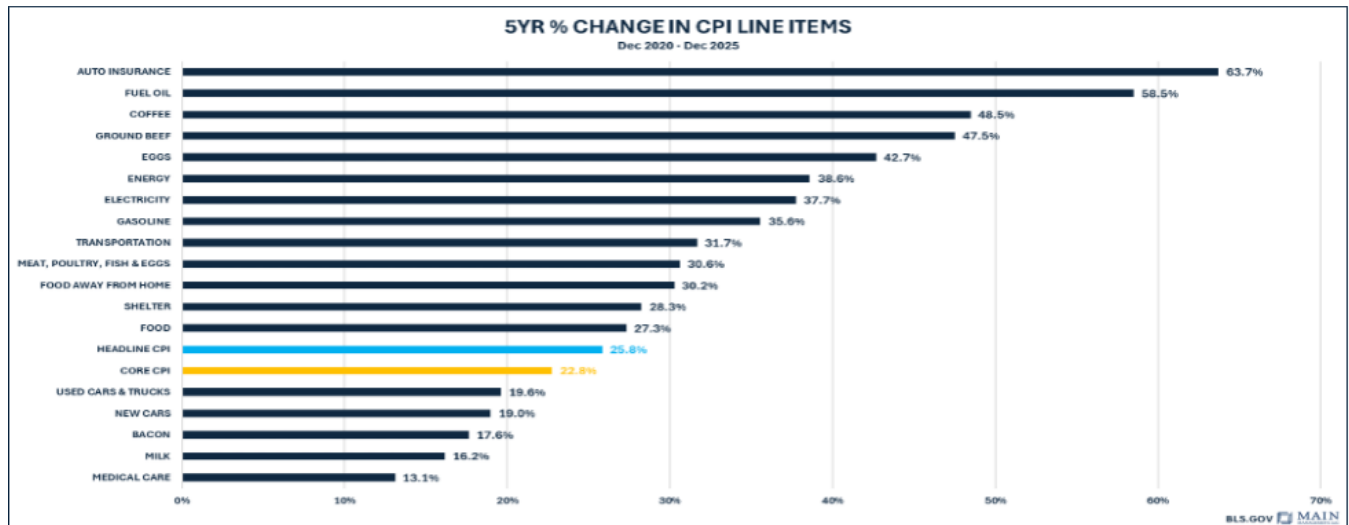
Lowest Wage Quartile  
Cumulative Growth, 2019–2025

**+28%**

5-Year Shelter Inflation  
Dec 2020 – Dec 2025

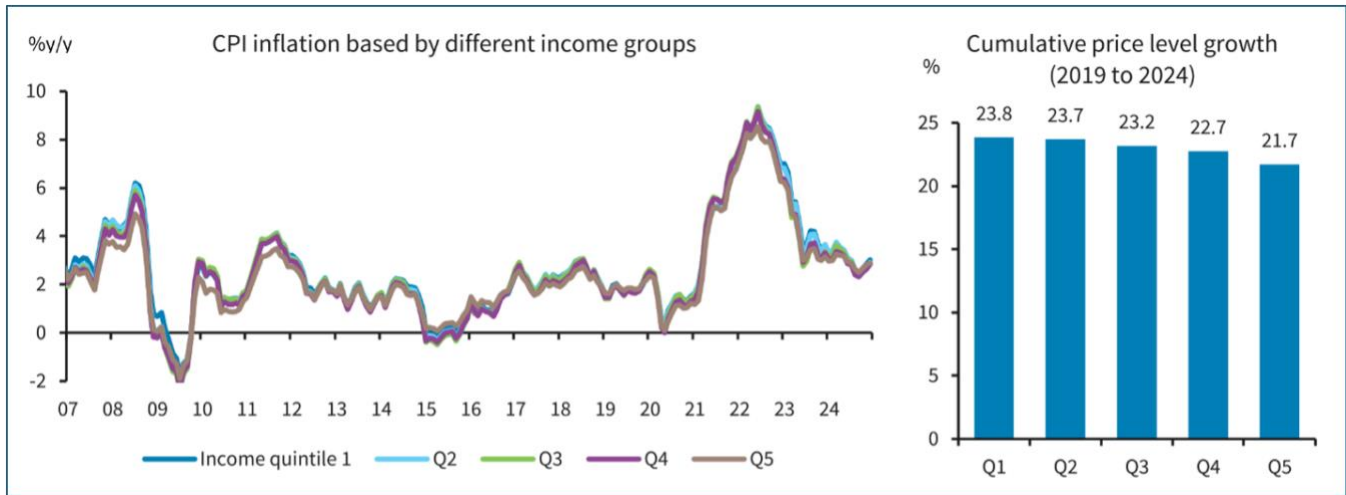
The short answer is no. Since the pandemic, headlines have touted the gap between the haves and have-nots (high vs low income consumers). The popular narrative has been that prices (as measured by inflation) have risen markedly since the pandemic and as a result, lower income consumers have been forced to be more restrained as food, shelter, and energy costs have eaten into their disposable income.

As you can see below, general food prices are up +27% over the last 5 years. Electricity and gas are up 36-37%. Shelter is up +28%. Over that same time period (Dec 2020 – Dec 2025), the S&P 500 is up a very strong +82%.



## INFLATION BY INCOME

**The lower-income quintile did experience large price increases relative to higher-income quintiles, but only by 2% more – nothing too outlandish.**

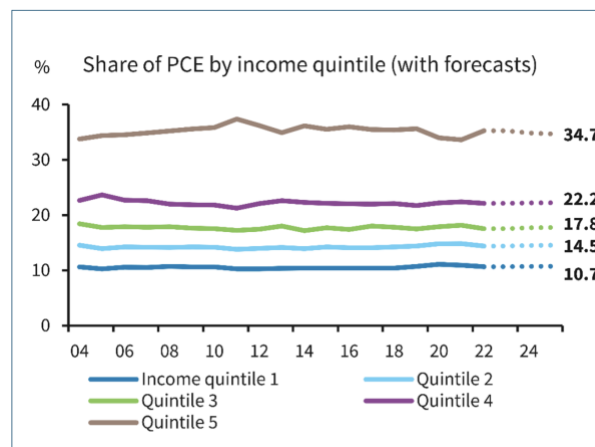


## SPENDING DISTRIBUTION

**The top 10% does not actually account for half of all consumer spending**

One cited discrepancy is that lower income consumers have not participated in equities gains to the same extent as higher income consumers, who own a disproportionate share of equities. Taking the narrative a step further, some news outlets have even claimed that half of all spending comes from the top 10% of earners. Looking at the breakdown of spending (personal consumer expenditures), that doesn't appear to be the case... the higher income quintile accounts for roughly 35% of PCE and the bottom quintile accounts for 11%. The key observation here is that the levels are pretty static – they have not swung to the same degree that news outlets would have you believe, and if anything, the top quintile's consumption share has fallen a little bit, not risen.

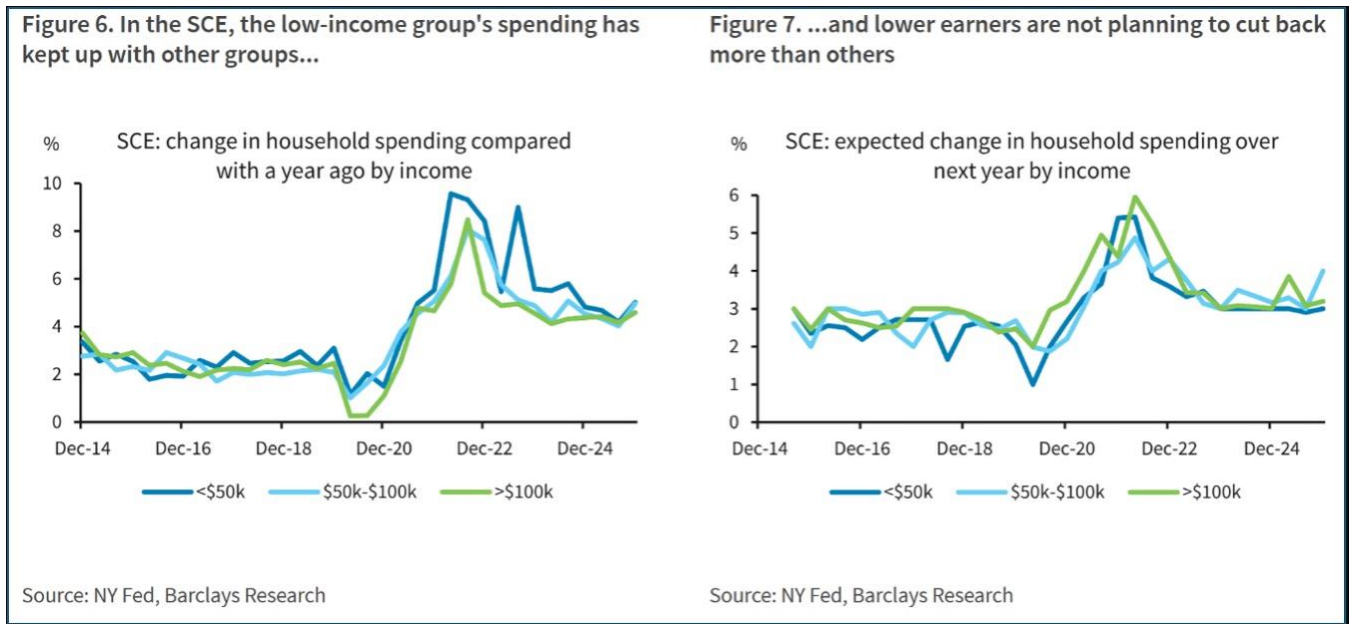
*Barclays' breakdown of PCE by income quintile*



## SPENDING EXPECTATIONS

## Lower-income spending has kept pace with higher-income groups

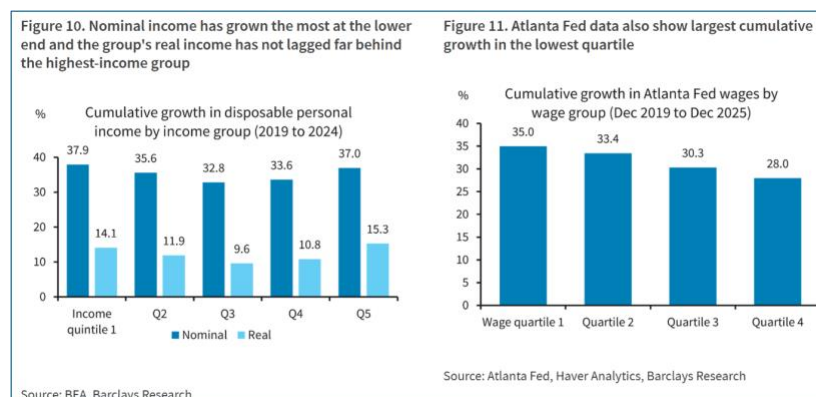
The NY Fed's Survey of Consumer Expectations also shows that spending lower-income groups has kept pace with that of higher-income groups and lower earners are not planning to cut back any more than others.



## INCOME GROWTH

### Income growth has not been as disparate as the narrative would have you believe

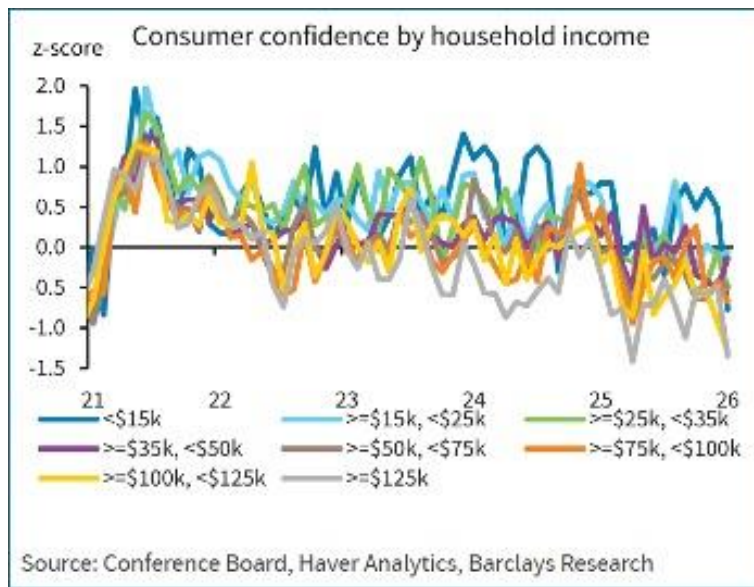
It also turns out that income growth has not been as disparate as the narrative would have you believe. Nominal disposable personal income growth is up +15.3% for the top income quintile compared to +14.1% for the bottom income quintile – so not a huge discrepancy (2019 – 2024). The Atlanta Fed (right) shows that the lowest wage quartile has seen the biggest cumulative growth from 2019 to 2025.



## CONSUMER SENTIMENT

### Confidence is actually higher at the lower end of the income spectrum

So both earnings / income and spending for the lower-income group(s) have largely kept pace (if not outpaced) those metrics for the higher-income groups. And this is showing up in the sentiment responses – those lower-income groups are not any more pessimistic than the higher income groups. In fact, consumer confidence is higher at the lower end of the income spectrum...



## THE TAKEAWAY

# The K-shaped economy is not nearly as pronounced as the media would have you believe

All this goes to show that the K-shaped economy is likely not nearly as pronounced as the media would have you believe. That's good news – people across the income spectrum are experiencing gains in wages, income, and other assets, and are planning to continue spending.

For advisors, the opportunity isn't reacting to headlines – it's positioning portfolios with a disciplined, research-driven framework that accounts for underlying resilience.

This kind of work – translating macro research into portfolio positioning – is at the core of how we partner with advisors through our [Custom Model Partnerships](#). We co-create custom models with advisors that align their preferred managers with our institutional, research-driven and risk-aware asset allocation framework. The goal isn't to replace an advisor's process, but to institutionalize and enhance it.

01

### LEARN

We start by fully understanding your business and clients.

02

### BUILD

We co-create custom model portfolios through an iterative partnership.

03

### IMPLEMENT

No fees or allocation minimums. The best model is the one you're comfortable with.

04

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Ongoing reviews, market commentary, and practice-management support.

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