

## **Personal Financial Satisfaction Index (PFSi) Defined**

The Personal Financial Satisfaction Index (*PFSi*) is the result of two component sub-indexes. It is calculated as the difference between the Personal Financial Pleasure Index and the Personal Financial Pain Index. These are in turn composed of four equally weighted factors, each of which measure the growth of assets and opportunities, in the case of the Pleasure Index, and the erosion of assets and opportunities, in the case of the Pain Index.

## **Methodology**

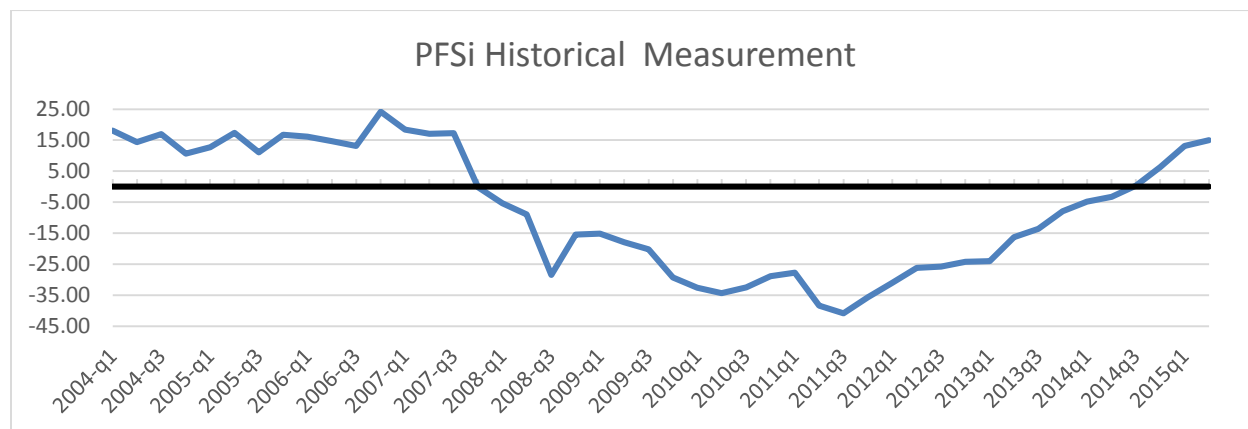
To construct the indices each component was first normalized by its own standard deviation prior to July 2013. The factors were then individually modified to an average value of 50 over the period up to July 2013. The financial pleasure index and the financial pain index each equally weight the individual component factors.

## **Second Quarter 2015 PFSi Summary**

The *PFSi* measured 15.0 in the second quarter of 2015. This reflects a 1.9 point increase from the prior quarter, and an 18.2 point increase from one year ago.

The gain from the prior quarter was based on the 0.3 point increase in the **Personal Financial Pleasure** index, and more importantly on the 1.6 point decline in the **Personal Financial Pain** index.

The gain from the second quarter of 2014 was due to a 4.2 point advance in the Pleasure index and a 14.1 point decline in the Pain index.



## **Second Quarter 2015 Personal Financial Pleasure Index Top-Line Summary**

The **Personal Financial Pleasure Index**, at 60.0, reflects a 0.3 point (0.5%) increase from the prior quarter and a 4.2 point (7.5%) increase from the prior year.

The increase from the previous quarter was driven by a 5 point increase in job openings and a 3 point increase in home equity, which outweighed a 4 point pull back in the PFS 750 Market Index, and a 2 point reduction in the AICPA economic outlook.

The advance from the prior year was primarily driven by advances in job openings (12 points) with home equity adding a 4 point gain, followed by the PFS 750 Market Index adding one point. The AICPA outlook was flat with the year ago level.

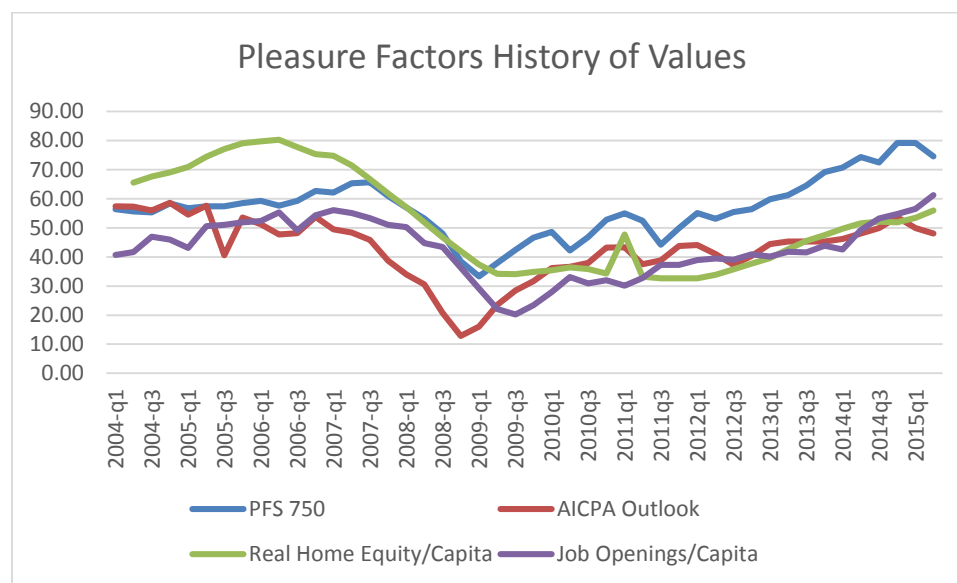
## **Second Quarter 2015 Personal Financial Pleasure Index Detailed Summary**

**PFS 750 Market Index:** This reached an all-time high in Q42014 and maintained it in Q12015. Its current value is 4 points (12.4%) below that high, and one point above its year-ago level.

**Real Home Equity per Capita:** This factor's current value is 7.7% above the prior year level, and 5.7% above the previous quarter level. The changes in value have been due to both increases in the market value of real estate and declines in mortgages outstanding.

**Job Openings per Capita:** The current reading is 24.5% higher than the prior year reading, and 8.9% ahead of the previous quarter.

**AICPA CPA Outlook Index:** The current reading is flat with the prior year level and 4% lower than the previous quarter.



## **Personal Financial Pleasure Index Components Defined**

Measuring the positive factors impacting the economy, the *Personal Financial Pleasure Index* combines the following four economic factors.

- **PFS 750 Market Index** – This AICPA proprietary stock index is comprised of the 750 largest companies trading on the US Market excluding ADRs, mutual funds and ETFs, adjusted for inflation and per capita.
- **AICPA Outlook Index** – This broad-based composite index captures the expectations of CEOs, CFOs, Controllers, and other CPA executives and their plans for a breadth of indicators of economic activity within their own organizations. The composite measures the following factors equally: US economy optimism, organization optimism, business expansion, revenues, profits, employment, IT spending, other capital spending, training and development and Plans for spending on employee training and development over the next 12 months.
- **Real Home Equity per Capita** – This factor is a calculation of the Market Value of Owner-Occupied Real Estate less the Home Mortgage Liability. Both are published by the Board of

Governors of the Federal Reserve System, deflated by the PCE Price Index and divided by the Civilian Non-institutional Population.

- Job Openings per Capita – Factor is a calculation of total non-farm job openings, published by the Bureau of Labor Statistics, divided by the Civilian Non-institutional Population.

### **Second Quarter 2015 Personal Financial Pain Index Top-Line Summary**

**Pain index** at 45.0 is 1.6 points (3.4%) lower than the previous quarter and 14.1 points (23.9%) lower than the prior year's level.

Comparing the current index to the previous quarter, the biggest contributor to the reduction in overall value was a 6 point decline in loan delinquencies. Next, inflation declined by 3 points and underemployment by 1 point. Taxes increased 3 points.

The decline from the prior year's level was driven by a 35 point reduction in inflation (the largest change in the period for any factor of either pain or pleasure), plus a 20 point reduction in loan delinquencies. Underemployment decreased by 7 points while taxes increased by 6 points.

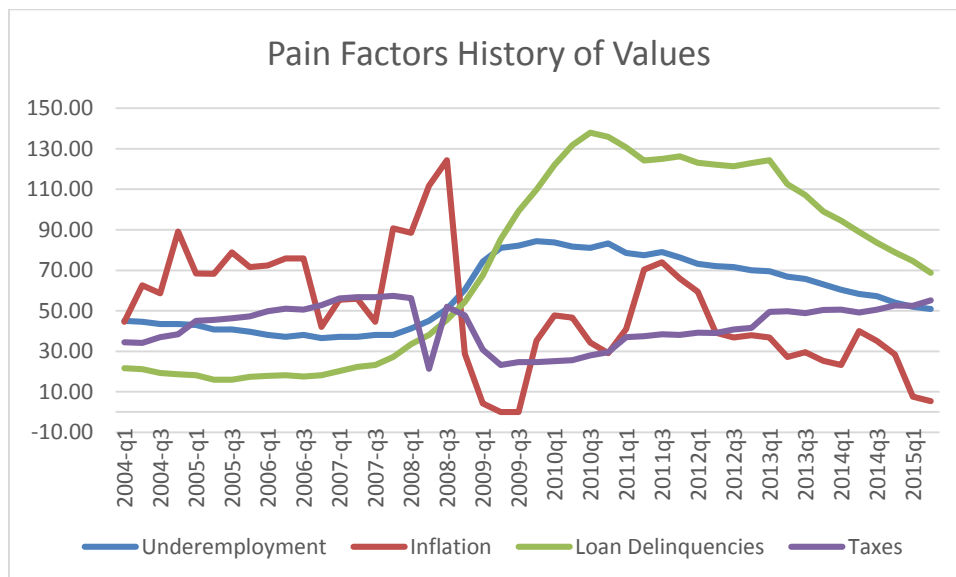
### **Second Quarter 2015 Personal Financial Pain Index Detailed Summary**

**Delinquencies on Loans:** This factor's current level is 8% lower than in the previous quarter and 22.5% below the prior year's level. Improvements are due to both delinquencies on mortgages and delinquencies on all loans.

**Underemployment:** This factor is currently 1.9% lower than in the previous quarter and 12.1% below the prior year.

**Inflation:** This factor's current value is 37.5% lower than the prior quarter's level, and 87.5% lower than the year-ago level.

**Personal Taxes:** Personal taxes are 5.8% higher than the previous quarter's value. They are 12.2% higher than they measured in the prior year.



## Personal Financial Pain Index Components Defined

The *Personal Financial Pain* index is a measurement of the following negative economic factors:

- Inflation – This factor is comprised of 95 percent annual change in the PCE Price Index and 5 percent annual change in the Consumer Price Index for Fuel Oil and Other Fuels, as published by the BLS.
- Personal Taxes – This factor uses BLS statistics on income including realized net capital gains, taxes on personal property, payments for motor vehicle licenses, and several miscellaneous taxes, licenses, and fees. Social security and Medicare taxes are excluded, as are taxes on real property, sales taxes, and certain penalty taxes. Personal current taxes are measured on a payments basis (i.e., when paid) except for withheld taxes (largely on wages and salaries) which are measured on an accrual basis.
- Delinquencies on Loans – Taken from data published by the Board of Governors of the Federal Reserve System, this factor is calculated as 75 percent delinquency rate on single family residential mortgages and 25 percent the delinquency rate on all loans and all commercial banks, both
- Underemployment – This BLS-calculated factor is a combination of full title total unemployed numbers, all marginally attached workers, and total number of workers employed part-time for economic reasons.

### Chart View of Above Information

Component	2Q14		1Q15		2Q15		Change vs. the prior year the previous quarter	
	Data	Index	Data	Index	Data	Index		
<i>Net Index</i>		(3.2)		13.1		15.0	18.2	1.9
<i>Pleasure</i>		55.8		59.7		60.0	4.2	0.3
PFS 750 Market Index (\$ trillion, index)	22.8	74	24.4	79	23.5	75	1	(4)

CPA Outlook (index)	72	48	74	50	72	48	0	(2)
Home Equity (\$ trillion, index)	10.7	52	11	53	11.7	56	4	3
Job Openings (millions, index)	4.4	49	5	56	5.4	61	12	5
<i>Pain (subtracted)</i>		<i>59.1</i>		<i>46.6</i>		<i>45.0</i>	<i>(14.1)</i>	<i>(1.6)</i>
Underemployment (%, index)	12.1	58	11.0	52	10.8	51	(7)	(1)
Inflation (%, index)	1.7	40	0.3	8	0.2	5	(35)	(3)
Taxes (%, index)	11.7	49	12.0	52	12.3	55	6	3
Loan Delinquencies (%, index)	6.4	89	5.4	75	4.9	69	(20)	(6)