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

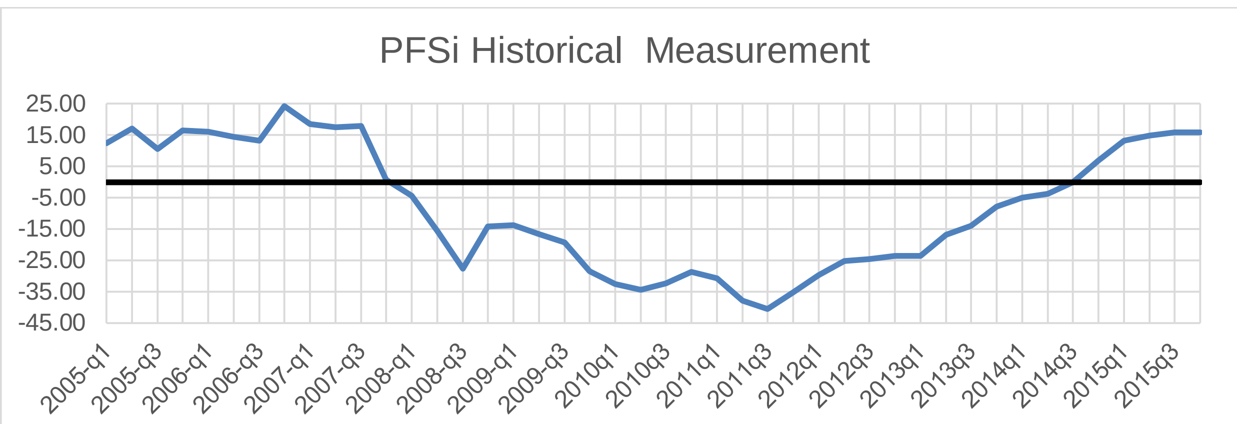
To construct the indices each component was first normalized by its own standard deviation prior to July 2013. The factors were then individually modified to an average value of 50 over the period up to July 2013. The financial pleasure index and the financial pain index each equally weight the individual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

Fourth Quarter 2015 PFSi Summary

The *PFSi* measured 15.9 in the fourth quarter of 2015. This reflects a 0.1 point increase from the prior quarter, and a 9.1 point increase from one year ago.

Both the gain from the prior quarter and the gain from the prior year occurred in spite of declines in the **Personal Financial Pleasure** index. There were, however, larger declines in the **Personal Financial Pain** index.

The gain from the prior quarter was due to a 0.8 point decline in the Pleasure index offset by a 0.9 point decline in the Pain index. In the case of the gain versus the fourth quarter of 2014, the Pleasure index declined 1.2 points but the Pain index declined 10.3 points.



Fourth Quarter 2015 Personal Financial Pleasure Index Top-Line Summary

The **Personal Financial Pleasure Index,** at 59.4, is down 0.8 points (1.3%) from the prior quarter and 1.2 points (2%) up from the prior year.

Compared with the previous quarter's data, job openings declined 5 points and the CPA Outlook by 2 points, offsetting a 2 point gain in the PFS 750 Market Index and a 1 point gain in home equity.

The decline from the prior year was driven by a drops in the CPA Outlook (9 points) and the PFS 750 Market Index (9 points), partially offset by 6 point gains in both home equity and job openings.

Fourth Quarter 2015 Personal Financial Pleasure Index Detailed Summary

PFS 750 Market Index: This reached an all-time high in Q4 2014 and maintained it in Q1 2015. Its current value is 10.2 points (12.1%) below that high, and 8 points below its year-ago level, although it's 2 points above the third quarter level.

> *The third quarter of 2015 was the worst since Q3 2011. This was the first 10% correction since 2011, and more than half of the S&P 500 lost 20% or more. In the fourth quarter the market was led higher by a recovery in large cap stocks. However, the period ended on a negative note amid renewed weakness in crude prices which weighed heavily on the energy sector*

Real Home Equity per Capita: This factor's current value is 10.9% above the prior year level, and 1.7% above the previous quarter level. The changes in value have been due to increases in the market value of real estate and exceeding those in mortgages outstanding.

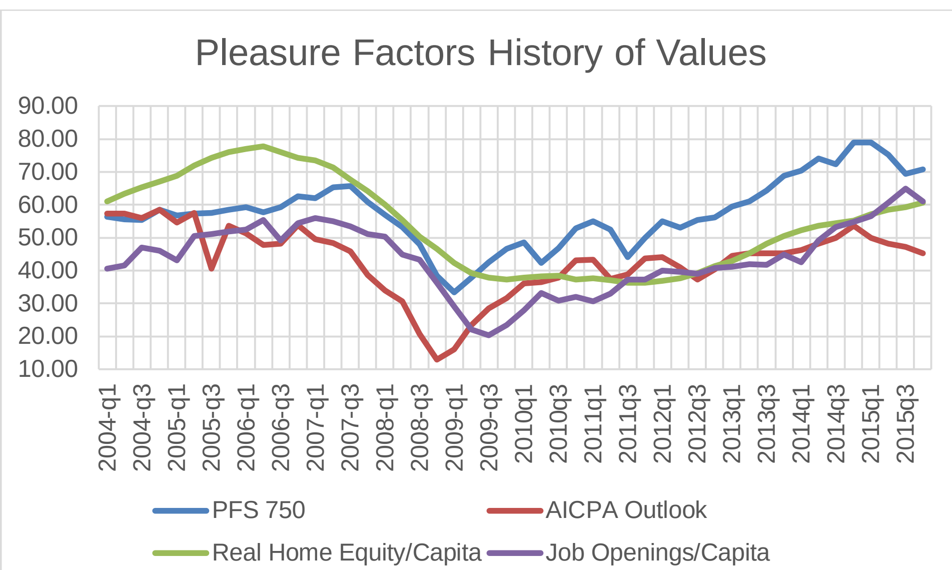
> *The U.S. housing market as a whole made great progress in 2015, as the big and occasionally volatile bounce off the bottom experienced from 2012 through 2014 gave way to a more stable and sustainable environment. Recent price gains have been moderated compared with overall 2014 gains. That said, real estate values are notoriously local, and there are wide variations in specific markets San Francisco, Los Angeles and Boston are frequently discussed for high average valuations. In contrast, Las Vegas, Chicago and Atlanta still have problems arising from significant proportions of properties with underwater mortgages.*

Job Openings per Capita: The current reading is 10.9% higher than the prior year reading, but 7.6% behind the previous quarter.

> *Clearly the weakest economic sector for jobs are related to oil production.*

AICPA CPA Outlook Index: The current reading is 16.7% lower than the prior year level and 4.3% below the previous quarter.

1. *The CPA Outlook Index decreased in the fourth quarter of 2015 based on declines in the index components related to the U.S. economy, organizational optimism and expansion, and revenue and profit expectations. The employment component of the index strengthened slightly and capital spending components were flat.*
2. *In the year to year comparison all components of the index weakened, with economic optimism and profit weakening the most, followed by revenue and expansion plans.*



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 Real Estate, Households and Nonprofit Organizations, 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.

Fourth Quarter 2015 Personal Financial Pain Index Top-Line Summary

Pain index at 43.5 is 0.9 points (2%) lower than the previous quarter and 10.3 points (19.1%) 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 3 point decline in loan delinquencies. Next, underemployment declined by 2 points. Moderating the decline, taxes and inflation increased by 1 point each.

The decline from the prior year's level was driven by a 19 point reduction in inflation (the largest change in the period for any factor of either pain or pleasure), plus an 18 point reduction in loan delinquencies. Underemployment decreased by 8 points while taxes increased by 4 points.

Fourth Quarter 2015 Personal Financial Pain Index Detailed Summary

Delinquencies on Loans: This factor's current level is 4.7% lower than in the previous quarter and 22.8% below the prior year's level. Improvements are due to both delinquencies on mortgages and delinquencies on all loans.

The current mortgage loan delinquency rate is 5.45%; the overall delinquency rate is 2.26%. Improvements in both the year over year level of the index and in the quarter to quarter comparison are due to improvements in both measures..

Underemployment: This factor is currently 4.2% lower than in the previous quarter and 14.8% below the prior year.

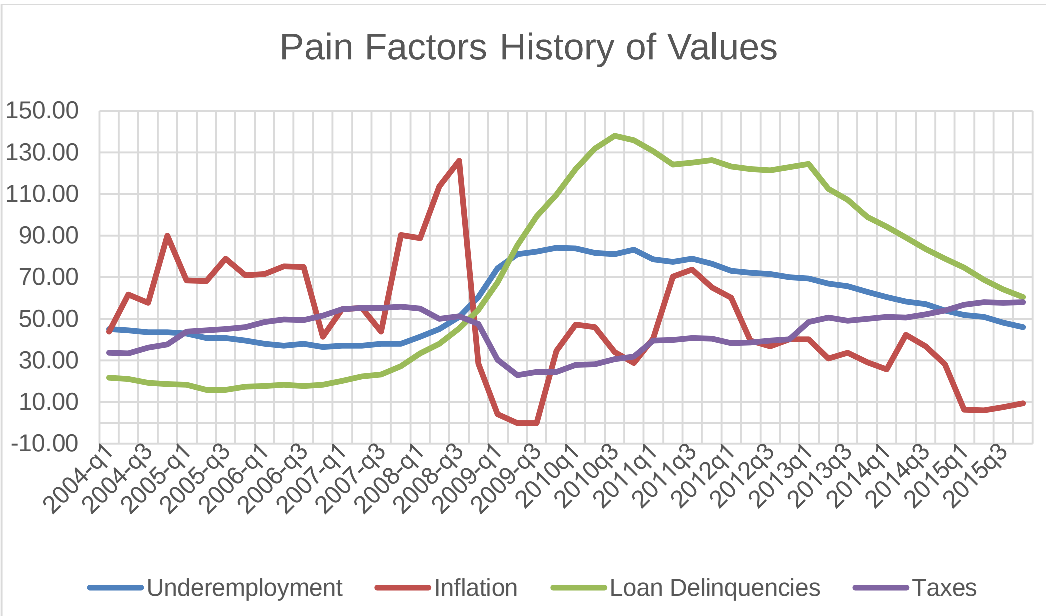
1. *The underemployment rate, at 9.9% is similar to the mid 2008 level.*
2. *The labor participation rate is at a 38 year low. This effectively reduces the denominator in the unemployment rate calculation. Factors influencing this: discouraged workers with skill gaps, coming out of the great recession; who stop looking for work. Also, the number of people retiring is influenced by the age profile of the workforce and the relative lack of opportunity for some people.*

Inflation: This factor's current value is 12.5% higher than the prior quarter's level, but 67.9% lower than the year-ago level.

Inflation is the most volatile factor contributing to the PFSi. Inflation began to fall in mid 2014, and has been extremely low for all of 2015. The very low base of last quarter means that a 12.5% increase is still very low. Crude oil has been under $50/barrel since early August, and recently under $40, which explains a lot.

Personal Taxes: Personal taxes are 1.8% higher than the previous quarter's value and 7.4% higher than they measured in the prior year.

Personal tax rates plunged more than 200 basis points to under 9.5% in mid 2009, and they have been increasing unevenly since then. The current level is 12.7%. Going back as far as 1994, the highest levels for personal taxes were 14% to 14.5% from late 1999 to early 2001.



<u>Personal Financial Pain Index Components Defined</u>

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

- <u>Inflation</u> – 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.

- <u>Personal Taxes</u> – 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.

- <u>Delinquencies on Loans</u> – 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	4Q14		3Q15		4Q15		Change vs. the prior year, the prev quarter	
	Data	Index	Data	Index	Data	Index		
Net Index		**6.8**		**15.8**		**15.9**	**9.1**	**0.1**
Pleasure		*60.6*		60.2		*59.4*	**(1.2)**	**(0.8)**
PFS 750 Market Index ($ trillion, index)	24.2	79	21.7	69	22.4	71	**(8.0)**	**2.0**
CPA Outlook (index)	78	54	71	47	69	45	**(9.0)**	**(2.0)**
Home Equity ($ trillion, index)	13.9	55	15.1	60	15.5	61	**6.0**	**1.0**
Job Openings (millions, index)	4.7	55	5.7	66	5.4	61	**6.0**	**(5.0)**
Pain (subtracted)		*53.8*		44.4		43.5	**(10.3)**	**(0.9)**
Underemployment (%, index)	11.4	54	10.3	48	9.9	46	**(8.0)**	**(2.0)**
Inflation (%, index)	1.2	28	0.3	8	0.4	9	**(19.0)**	**1.0**
Taxes (%, index)	12.3	54	12.7	57	12.7	58	**4.0**	**1.0**
Loan Delinquencies (%, index)	5.7	79	4.6	64	4.4	61	**(18.0)**	**(3.0)**

Data Revisions

Two of the factors in the Pleasure Index, the PFS 750 market index and the AICPA CPA Outlook Index, are based on original AICPA research. The other factors are based on data created by several federal government economics bureaus. When these data series are revised we incorporate the revisions in order to preserve period to period comparability of the PFSi. This can lead to changes in the historic values of the series. We will comment in footnotes what impact data revisions have had on the comparisons of the current period to historic period.

Over the past 2 years the Net Index has been impacted by data revisions by as much as 0.6 points in a period (both positive and negative adjustments). Both the Pleasure and Pain components have been increased by data revisions, and the Q3 Pleasure index declined by 0.4 points due to data revisions.

The major factor increasing the Pleasure index is a revision in the Home Equity component which resulted in a 2 to 4 point increase across the series.

The Pain Index increased 0.5 to 1.0 points. Both inflation and taxes have been revised upward. The revised inflation values are 0 to 3 points higher, and taxes 0 to 2 points higher.

Year ago comparisons: The revised Net Index is 6.8, versus 6.6 originally posted. The Pleasure Index increased 0.7 points due to a 3 point increases in home equity.

Comparisons to the most recent quarter: The revised Net Index is 15.8, versus 16.2 originally posted. The Pleasure Index decreased 0.4 points due to a 1 point decline in the home equity value and a 1 point decline in job openings, both due to data revisions.