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

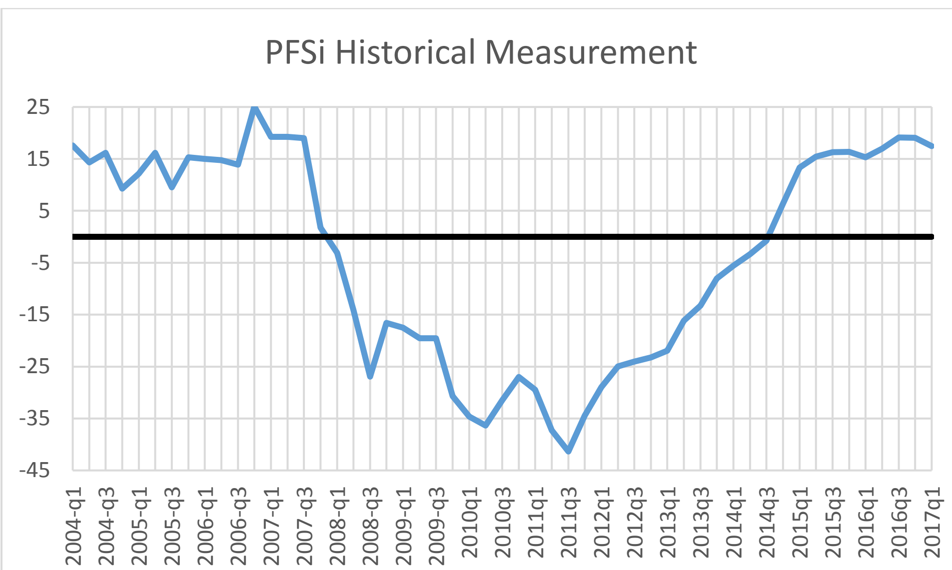
To construct the indices each component was first normalized by its own standard deviation prior to July 2013. The factors were then individually modified to an average value of 50 over the period up to July 2013. The financial pleasure index and the financial pain index each equally weight the individual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

First Quarter 2017 PFSi Summary

The *PFSi* measured 17.5 in the first quarter of 2017. This reflects a 2.1 point increase from one year ago, but a 1.6 point decline from the prior quarter.

The 8.2% decline from the prior quarter was based on the small increase in the **Personal Financial Pleasure** index (1.7 points) being outweighed by a 3.2 point increase in the **Personal Financial Pain** index.

The improvement from the first quarter of 2016 was due to a 5.5 point increase in the Pleasure index, which was larger than a 3.3 point increase in the Pain index.



220 Leigh Farm Road, Durham, NC 27707-8110
T: +1 919.402.4500 F: +1 919.402.4505
aicpaglobal.com

First Quarter 2017 Personal Financial Pleasure Index Top-Line Summary

The **Personal Financial Pleasure Index,** at 64.7, is 1.7 points (2.8%) higher than the prior quarter and 5.5 points (9.2%) up from the prior year.

The gain over the previous quarter's level was due to improvements in all four factors, led by a 2.9 point increase in the PFSi 750 Market Index followed by a 1.9 point increase in the CPA Economic Outlook. Home equity increased by 1.3 points, and the job openings index improved by 0.6 points.

The increase from the prior year was due to gains in 3 of the 4 factors, led by a 12 point gain in the CPA Economic Outlook, followed by a 7.1 point rise in the PFSi 750 Market Index. Home equity moved up 4.4 points. Job openings declined by 1.6 points.

First Quarter 2017 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. It subsequently declined slightly, but in Q1 2017 it has set another all-time high, increasing the prior record by just over 0.5%.

> *For the quarter, information technology was the strongest industry, gaining more than 12%, followed by health care, coming in at about 8.5% and consumer discretionary at about 7.5%. Utilities and consumer staples also outperformed the S&P 500 index. The industries that underperformed most dramatically for the quarter were financial services and real estate.*
>
> *For the year over year comparison financial services, which dramatically underperformed for the quarter, was the highest gainer, followed by technology, which was the leader for the quarter. Basic materials also significantly outperformed year over year, while outperforming more modestly on the quarter.*

Real Home Equity per Capita: This factor's current value is 7.3% above the prior year level, and 2.1% above the previous quarter level. It is still 17% below its early 2006 all-time high

The changes in value have been due to increases in the market value of real estate, which for the most recent reading came in at 7% per annum. They have exceeded increases in mortgages outstanding, which have been advancing at about 2% per annum.

> *While median American home prices have recovered to their precrisis levels, not all regions and types of housing have rebounded to the same extent. Homes valued below $100,000 have appreciated almost 10 percent in value from 2000, while those in the $500,000 to $1 million range have more than doubled.*
>
> *The most extreme average price increases have been in NYC and San Francisco. The regions that benefited from the sharpest recovery in home prices are the West and South. Tampa, Seattle, Dallas and Orlando are reported to have the highest increase in median home prices, in the range of 11% year over year.*

Job Openings per Capita: The current reading is 2.5% lower than the prior year reading, and 0.9% stronger than the previous quarter.

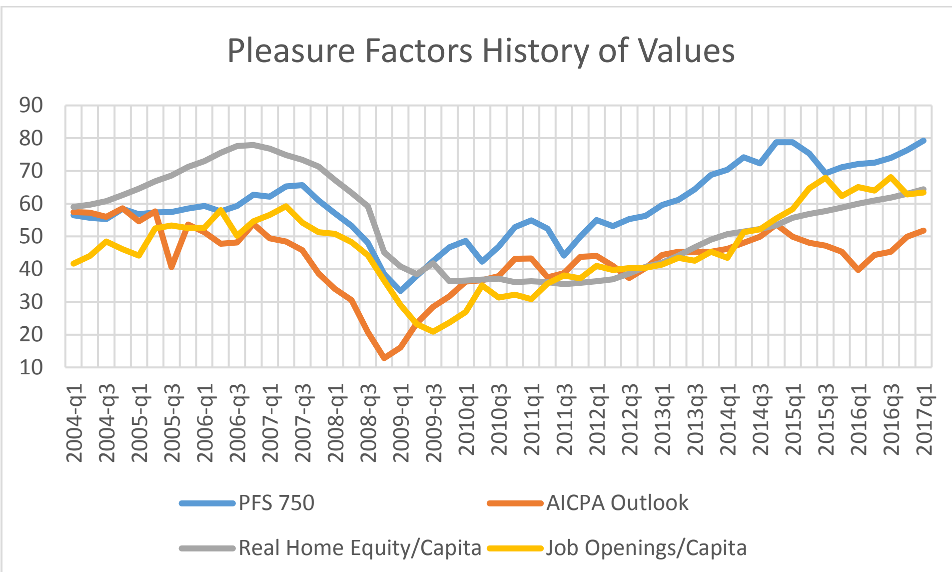
> *There are four industries with more than 950 thousand openings as of the preliminary January data, education and health services, professional and business services, health care and social assistance; and trade, transportation and utilities. They range from 967,000 openings to over a million. Job openings in each of these industries declined from 1% to as much as 4.7% between January 2016 and the preliminary January 2017 data. On the other hand, the industries which have increased the most job openings compared with January 2016 are real estate and rental and leasing (87,000 openings), financial activities (53,000 openings) and other services (29,000 openings). Interestingly, 77% of the increased openings in*

real estate and rental and leasing occurred between December and January. Similarly, 68% of the increased openings in financial activities occurred at the same time.

Regionally, only the West lost jobs compared to the prior quarter. The gains ranged from 5.4% for the Midwest to 1.4% for the South. The biggest gain versus a year ago was the Northeast, and the Midwest has a small gain while the other 2 regions lost job openings.

AICPA CPA Outlook Index: The current reading is 30.2% higher than the prior year level and 3.7% above the previous quarter level. The survey was conducted from Feb. 7 to Feb. 22.

1. *The US economic optimism index component of this series was by far the biggest contributor to the year over year improvement, making twice the contribution of any other factor. Most of the improvement in this factor took place in the second and fourth quarters.*
2. *Also, contributing to the year over year advance were organization optimism, expansion plans, revenue, profits and employment.*
3. *The change versus the prior quarter was much more modest. Only one factor, other capital spending, declined slightly. Profits were flat, and the other factors advanced modestly on the quarter.*



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

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

- <u>PFS 750 Market Index</u> – 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.

- <u>AICPA Outlook Index</u> – 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.

First Quarter 2017 Personal Financial Pain Index Top-Line Summary

Pain index at 47.3 is 3.3 points 7.4% higher than both the previous quarter and 7.6% higher than the prior year's level.

Most of the increase for both the year over year and quarter over quarter comparisons are due to increases in inflation. For the year over year comparison, inflation accounts for virtually the whole change. It increased 24.9 points, overcoming a more than 10 point decline in loan delinquencies The only other factor that increased was a 0.8 point increase in taxes.

For the quarterly comparison, in contrast, the inflation measure increased 13.6 points, and the only measure that declined was a 2.1 point drop in loan delinquencies.

First Quarter 2017 Personal Financial Pain Index Detailed Summary

Delinquencies on Loans: This factor's current level is 4.4% lower than in the previous quarter and 18.3% 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 4.15%; the overall delinquency rate is 2.07%. Improvements in the year over year level of the index for both and in the quarter to quarter comparison for mortgage delinquencies are due to improvements in both measures. The overall delinquency rate increased slightly compared to the prior quarter.*
>
> *In comparison, the peak delinquency rate for mortgages was 11.26% in the spring of 2010, and the overall peak was 7.5% at the end of 2009.*

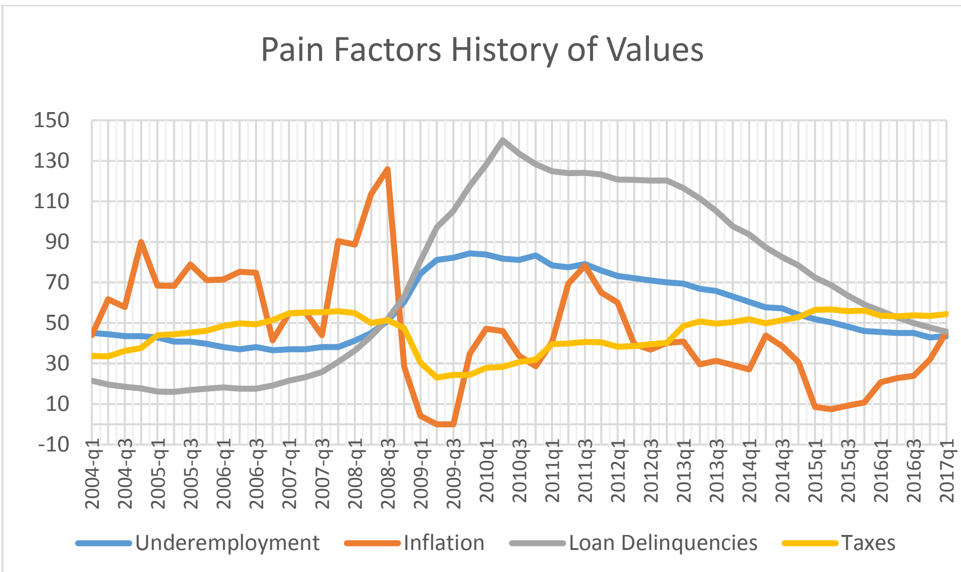
Underemployment: This factor, registering 43, is currently approximately equal to the previous quarter level and 4.7% below the prior year. In comparison, its peak value was 84.3 (corresponding to 17.1%, versus the current 9.2%) in the fourth quarter of 2009. It is still just over 55% above its average value before the great recession.

> *Like most economic measures, unemployment is worse in some regions than in others. The PFSi uses the U6 measure. The lowest rates for four alternative measures of labor underutilization (U-2, U-5, and U-6) were in New Hampshire, followed by South Dakota, Hawaii, North Dakota and Colorado. In total, nine states had rates notably lower than those of the U.S. for all six measures, while four states (California, Illinois, Louisiana, and New Mexico) had rates substantially higher than those of the U.S. for all six measures.*

Inflation: Our blended inflation measure is 2.1% for the first quarter. This factor's current value is a hefty 42.7% higher than the prior quarter's level, and a stunning 120.4% higher than the year-ago level. Please note that the year-ago blended level was just 0.9%, and that the Federal Reserve's target for inflation is about 2%. The really high percent increase is due to the extremely low base value.

Inflation is the most volatile factor contributing to the PFSi. The Q1 pain index relies on the February level.

Personal Taxes: Personal taxes are about 1.5% higher than both the previous quarter's and the prior year's value.
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 12.4%. Going back as far as 1994, the highest levels for personal taxes were 14% to 14.5% from late 1999 to mid 2001.



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	1Q16		4Q16		1Q17		Change vs.	
	Data	Index	Data	Index	Data	Index	the prior year,	the prev quarter
Net Index		***15.3***		19.0		***17.5***	2.1	(1.6)
Pleasure		*59.2*		*63.0*		*64.7*	**5.5**	**1.7**
PFS 750 Market Index ($ trillion, index)	22.8	72	24.6	76	25.7	79	**7.1**	**2.9**
CPA Outlook (index)	63	40	74	50	76	52	**12.0**	**1.9**
Home Equity ($ trillion, index)	15.3	60	16.3	63	16.8	64	**4.4**	**1.3**
Job Openings (millions, index)	5.7	65	5.6	63	5.6	63	**(1.6)**	**0.6**
Pain (subtracted)		43.9		44.0		47.3	**3.3**	**3.2**
Underemployment (%, index)	9.8	46	9.3	43	9.2	43	**(2.1)**	**0.5**
Inflation (%, index)	0.9	21	1.3	32	2.1	46	**24.9**	**13.6**
Taxes (%, index)	12.3	54	12.3	53	12.4	54	**0.8**	**0.9**
Loan Delinquencies (%, index)	4.1	56	3.5	48	3.3	46	**(10.2)**	**(2.1)**

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. (Actually, the PFS 750 market index is deflated, and can be affected by updates in the deflator; such revisions have been very small.) 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, which has had an average value of about 16, has been impacted by data revisions by as much as 2.3 points in a period (both positive and negative adjustments). Both the Pleasure and Pain components have been impacted by data revisions.

The Pleasure Index, which has averaged about 61, increased 0.2 to 1.2 points and decreased 0.2 to 1.1 points. Revisions in the Home Equity component and the job openings have both impacted the results.

The Pain Index, which has averaged about 44.5,has increased as much as 0.8 points and decreased as much as 2.3 points once. Both inflation and taxes have been revised.

Year ago comparisons: The revised Net Index for Q1 2016 is 15.3, versus 13.0 originally posted. The Pleasure Index increased 0.1 points due primarily to an upward revision in job openings, and the Pain Index decreased 2.3 points as three of the four factors declined. The biggest revision was in the tax series.

Comparisons to the most recent quarter: The revised Net Index for Q4 2016 is 19.0, versus 18.5 originally posted. The Pleasure Index was unchanged. The Pain Index declined 0.5 point, due to revisions in taxes and inflation.

Note: see the accompanying table detailing the history of revisions.