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ASR's Survey of U.S. Household Finances: Part 3

ASR's biannual proprietary survey provides unique insights into U.S. households' saving and investment behaviour. This is the seventh "wave" of the survey, which we first launched in June 2009. The fieldwork for this wave was conducted between August 2-20, 2012, and drew on a panel of 1,004 U.S. adults between 25-65. Parts [One](#) and [Two](#) covering housing, debt, financial security and retirement were released over the last week. ASR's Household Finances Survey is primarily an economic survey but with the capability to analyse responses by political affiliation. This section – Part Three – explores the economic experiences, attitudes and attributes as seen through a political lens. Please note that our panel only represents 70% of registered voters, and does not represent those over the age of 65.

In pursuit of the independent...

- If the issues that dominate the run-up to the election are those of *future economic priorities* – where to tax, what to protect – our survey suggests that independents will have more in common with the Democrats. But if what dominates the economic agenda is people's *recent economic experience*, then independents will find they have more in common with the Republicans.
- This suggests that if campaign strategists want to appeal to independents – and they make up 37% of our panel – they would do well to address those two themes.

Democrats are optimistic; independents are financially fragile.

- Democrats are the optimists: the only group that on balance says they are "better off" than last year. And 41% think they will be "better off" a year from now, compared to just 26% of Republicans and 22% of independents.
- Those who consider themselves independent or unaffiliated seem more economically fragile. In what we've found to be some of the most insightful and differentiating questions – on risk appetite, outlook for house prices, job security – independents are faring worse than others.

Increase taxes; don't touch entitlements.

- When asked how to best take on the challenge of deficit reduction: 75% of Democrats, 59% of Independents and 45% of Republicans say taxes should be increased on the wealthiest in America. The next most popular proposal is to increase taxes on American corporations.
- Only Republicans are willing to consider cuts to entitlement spending – but only 17% support cutting Social Security and only 22% support cutting Medicare. A mere 2% of Democrats and 8% of Independents see spending cuts to Social Security or Medicare as one of the "best" ways to close the deficit.

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Understanding the Independent

Our survey suggests America's two major political parties actually do not have majority appeal. When asked for their broad political affiliation, 27% identify with Democrats, 29% with Republicans, and 37% as Independents.

It is important to bear in mind that one does not need to be a registered voter to participate in this survey, and it is also important to remember that we survey those between the ages of 25-65. Still, the age ranges captured in the ASR survey represent 70% of all registered voters in America. The potential voting age groups that are not included in the ASR Survey are those between the ages 18-24 and those over the age of 65. Those age groups represent 10% and 19% of registered voters, respectively.

If the election is likely to be decided by Independent voters, what do we know about them?

Table 1: Which of the following best describes your political affiliation?

base=1,004	Feb 2012	Aug 2012
I am registered with, or I generally support the Democratic Party	29%	27%
I am registered with, or I generally support the Republican Party	27%	29%
I am an independent or unaffiliated voter	36%	37%
Don't know	7%	7%

Source: ASR Ltd, TNS

With around 50 days before the November elections, the accepted wisdom is that those who support or are registered with a certain party intend to vote for the candidate of that party. Then, with so much of the potential vote presumed to be "known", it's worth turning attention to the unknowns, the independents. If the election will be decided by them, what do we know about them? On what issues are they closest to Democrats and where are they closest to Republicans? And what has their economic experience been?

To a great extent, our survey suggests that there is a shared economic experience that cuts across party lines. A similar proportion of all three groups worry "a lot" about their finances, and around a third of each group cite inflation as their biggest financial concern. While those who affiliate with the Republican party do tend to have higher household incomes than the other groups (54% are in a household with income more than \$75,000 a year, compared to about 40% of the other two groups), at least half of all three groups say that they are able to make ends meet. Another third are spending less than they earn, and yet two thirds still worry they are not saving enough.

Respondents' housing situations are similar – around 22% own their home outright, and around 46% of Democrats and Independents have a mortgage on their home (Republicans are more likely to have a mortgage, at 56%), and 60% of all three have a home that's worth more than the mortgage on it. Around



70% of all groups say they have a changed attitude toward debt post financial crisis.

But when asked to assess economic progress over the last year – perceptions change dramatically. Independents, like Republicans, are at least 14 percentage points more likely than Democrats to say that they are worse off than a year ago. 31% of Democrats say they are better off than a year ago, a view shared by only 17% of Republicans and 17% of Independents. Even though there is little difference between the region of the country the respondents in each group live in, Republicans and Independents are also more likely to say that house prices have fallen over the last year – 45% of Republicans and 37% of Independents believe house prices have fallen over the last year – just 29% of Democrats share that view.

And when asked to look ahead to the next year, the survey suggests that it is mainly Democrats left with a positive outlook. 41% of Democrats think they will be “better off” in a year’s time, compared to only 26% of Republicans and 22% of Independents.

What is striking is that the biggest differences between Republicans and Independents are income and asset accumulation – there is a 17% point difference between those with household incomes above \$75,000, and also between those who think it’s a good time to buy property. But between Democrats and Independents – there’s a 19% point difference between how the respondents from each group think they will fare over the next year – surely a much more polarizing difference when shaping the election outlook.

The biggest difference between Independents and Republicans?

Income levels and home purchases.

The biggest difference between Independents and Democrats?

An optimistic outlook.

Table 2: Key Questions Where Democrats and Independents Differ

base=1,004	Dem	Ind	Diff.
% think they will be better off one year from now	41%	22%	19%
% think policymakers have done a “bad job” at handling the economy	69%	83%	14%
% think they’re worse off than they were one year ago	21%	35%	14%
% think house prices will rise over next 12m	38%	27%	11%
% feel insecure in employment	14%	23%	10%
% think their debt too high	51%	42%	10%

Table 3: Where Republicans and Independents Differ

	Rep	Ind	Diff.
% with household income greater than \$75K	54%	37%	17%
% think this is a good time to buy property	68%	51%	17%
% have a mortgage or loan on their house	56%	45%	11%
% think their house is worth more than when they bought it	46%	36%	10%
% think policymakers have done a “bad job” at handling the economy	93%	83%	10%
% think stocks are a good way to save for retirement	44%	34%	10%

Source: ASR Ltd, TNS



Perhaps one of the most striking sections of the survey is where Independents prove to have substantial economic differences from both of the main parties. There are a few questions where the Independents stand apart. Not only is it useful to isolate this group, but our analysis of the survey over multiple waves suggests that these questions are actually some of the most telling in the survey. In the first [section of the survey](#) released last week, we pointed out how a belief in rising house prices seems to go to the core of how U.S. households view the economic outlook – here, Independents are more cautious. They are also less likely to have a sense of job security – in a 2011 release we noted that work insecurity goes hand-in-hand with an overall sense of discouragement. Independents are more likely to be risk averse, and are also much more likely to be unemployed.

On some of the questions that seem to be especially insightful - risk aversion, job security, housing outlook - Independents are faring worse than others.

Table 4: Where Independents Are Different From Everyone!

base=1,004	Dem	Rep	Ind.
% feel secure at work	84%	83%	75%
% feel insecure at work	14%	16%	23%
% think house prices will rise over the next year	38%	34%	27%
% who are not prepared to take any risk with savings	47%	45%	53%
Net % worry about their financial situation	74%	74%	82%
% think this is a good time to buy property	56%	68%	51%

Source: ASR Ltd, TNS

The argument that the economy is doing better than it was when the President took office doesn't seem to be resonating with Independents.

What this survey suggests is that President Obama could be more vulnerable than the current conventional wisdom might suggest. As pointed out in the [second release](#) of analysis from this survey, "If the Presidential election was simply about how people viewed their financial situation, then Barack Obama would have a major problem on his hands."

While viewers of the Democratic convention heard President Clinton answer the election year question of "are you better off than four years ago" with an emphatic yes, there is actually a big risk that this answer isn't resonating with Independents. Because when Independents are asked if they doing better than they were even one year ago, their answer is clear: no.



Performance Evaluation

When asked to assess Washington’s handling of economic policy over the last year, there is agreement across all groups that the performance has been dismal. The question was intentionally worded as broadly as possible, asking about “policymakers in Washington” rather than the President, Congress, or the Fed specifically.

All parties can agree on one thing - policymakers have done a “poor job” managing the economy over the last year.

83% of Independents say a poor job has been done – although this is less than the 93% of Republicans who see poor handling of economic policy. At least 60% of both Republicans and Independents think that the job done has been “very bad”. Those who affiliate with the Democrats are a bit less forgiving – but not by much. 69% think a poor job has been done, with only 37% saying a “very bad” job has been done.

55% think a very bad job has been done by policymakers in managing the U.S. economy over the last year. This is up from 45% in our last survey

The net balance of those who think policymakers are going a “poor job” increased 5% points from February. The major change has been in those who think there has been a “very bad” job done. Back in February, 48% expressed this view, now it is 55%.

Table 5: How good a job do you think policymakers in Washington have done of managing the US economy over the past 12 months?

base=1,004	Feb 2012	Aug 2012
A very good job	3%	1%
A fairly good job	12%	12%
A fairly poor job	30%	26%
A very bad job	48%	55%
Don't know	7%	6%
Total % Say Good	15%	13%
Total % Say Poor or Very Bad	78%	81%
Net % Say "Poor Job"(% Poor - % Good)	63%	68%

Source: ASR Ltd, TNS

Economic policymakers have dropped in standing with all parties since our last survey. The percentage who feels a “very bad” job has been done of economic management rose across all groups.

Table 6: How good a job do you think policymakers in Washington have done of managing the US economy over the past 12 months?

base=1,004	Democrats		Republicans		Independents	
	Feb 2012	Aug 2012	Feb 2012	Aug 2012	Feb 2012	Aug 2012
A very good job	8%	2%	1%	1%	0%	0%
A fairly good job	19%	24%	6%	3%	11%	10%
A fairly poor job	35%	32%	25%	25%	30%	23%
A very bad job	32%	37%	65%	68%	54%	60%
Don't know	6%	4%	4%	3%	5%	7%
Total % Say Good	27%	27%	7%	5%	11%	10%
Total % Say Poor or Very Bad	67%	69%	90%	93%	84%	83%
Net % Say "Poor Job" (% Poor - % Good)	40%	43%	83%	88%	73%	73%

Source: ASR Ltd, TNS



How To Cut the Deficit

What's the politically palatable path to deficit reduction? Most say increasing taxes.

Looking out to 2013, as the "fiscal cliff" is set to begin falling away 18 days before Inauguration Day, we asked respondents for their take on how to **best address what is likely to be the biggest economic policy challenge of the next Administration – reducing the deficit**. With only a very small proportion – between 3-6% - believing that deficit reduction is not a priority at this time, just what is the politically palatable path to deficit reduction? We presented a broad list of options that are generally "on the table" during negotiations, and asked respondents to pick two.

For each of the three groups, the answer is mainly through increasing taxes. Firstly on the wealthiest in America – where 76% of Democrats, 59% of Independents and even 45% of Republicans say taxes should be increased to close the deficit. The second most widely chosen option, again, by all three groups, is to increase taxes on American corporations. This was selected by 59% of Democrats, 45% of Independents, and 38% of Republicans. This suggests that there would be little resistance to allowing the Bush-era tax cuts to expire for those making more than \$250,000.

Table 7: Which two of the following do you think are the best ways to reduce America's budget deficit? (choose two)

base=1,004	ALL	Dem	Rep	Ind
Cut spending on Social Security	8%	2%	17%	7%
Cut spending on Medicare	10%	2%	22%	8%
Cut spending on the military	22%	29%	16%	24%
Increase taxes paid by those with the highest incomes and greatest wealth in America	59%	76%	45%	59%
Increase the taxes paid by American corporations	46%	59%	38%	45%
Reducing the budget deficit is not a priority at this time	4%	6%	3%	4%
Don't know / none of the above	24%	10%	28%	25%

Source: ASR Ltd, TNS

After the widespread agreement by respondents to put two ticks in the box for higher taxes, finding a third option seems more of a challenge. For Democrats, the third choice is clear – 29% say that military spending should be cut. For the others, it is more of a struggle. Republicans are more willing than others to cut entitlement spending ... but the 17% saying cuts to Social Security and 22% saying cutting Medicare are fewer than the 28% saying "don't know or none of the above". And for Independents, cutting military spending and "don't know" are nearly tied for third. Fewer than 9% of Independents support cutting either Social Security or Medicare as a way to deficit reduction.

That so few accept entitlement cuts as an option serves as a reminder of the political difficulty that lies ahead for anyone who sets their sights on cutting spending to well established, and apparently well loved, entitlement programs.



That so few are willing to accept cuts to entitlement spending suggests political difficulty ahead for anyone who might try.

While we are focusing on these issues as expressed by political party, it’s also worth noting that these views are shared far beyond party lines. In the table below, we’ve shown the answers of other groups to the Social Security and higher wealth tax questions as representatives. Those in the 25-34 age group, the farthest away from retirement, are still reluctant to cut Social Security. Not more than 11% of any group below thinks cutting Social Security is one of the “best” ways to close the deficit, while at least half of all groups think raising taxes on the wealthy is.

Table 8: Which two of the following do you think are the best ways to reduce America’s budget deficit? (choose two)

	Cut Spending on Social Security	Increase taxes paid by the wealthiest / highest incomes
base=1,004		
25-34	8%	61%
35-44	7%	55%
45-54	10%	60%
55-65	8%	58%
Household income less than \$30K	3%	53%
Household income more than \$75K	11%	58%
College degree	14%	59%
No college degree	4%	59%
Changed attitude to debt	8%	64%
Unchanged attitude to debt	11%	52%
Think children of their generation will have a better standard of living	9%	64%
Think children of their generation will have a worse standard of living	9%	58%

Source: ASR Ltd, TNS

These views are not just political party lines.

Across a selection of characteristics, people most want to increase taxes on the wealthy and least want to cut Social Security.

Our view: this election may be closer than it seems. Looking beyond national economic statistics and beyond broad consumer confidence measures suggests that the Independent voter is actually much more fragile than previously thought. As we pointed out in our brand new monthly publication, [Absolute Convictions](#), despite the good news of late for Obama, his team should not get complacent.

If the issues that are perceived to be on the ballot in November are those of broad economic priorities – where to tax, programs to protect – then Independents are more likely to side with Democrats. But if it is economic experience in the minds of voters in the booth, then they are more likely to side with Republicans. This all suggests that ultimately what matters the most is how well campaign strategists succeed at framing their candidate’s message across those two themes.



ASR's Survey of U.S. Household Finances

Background

This is the seventh in a series of proprietary surveys commissioned by Absolute Strategy Research (ASR) to provide our clients with insight into U.S. consumer finances. First launched in June 2009 and conducted biannually, each survey analyzes the responses from 1,000 Americans of working age. The questions explore respondents' financial security; their saving, borrowing and access to credit; and their views on housing and retirement. The questionnaire goes beyond a typical "consumer confidence" survey because it attempts to explore the motivations behind and the perceptions of saving and borrowing decisions. We hope it complements the (less-timely) household balance-sheet data found in the U.S. National Accounts.

The Fieldwork

We commissioned TNS, the world's largest custom market research specialist, to conduct the fieldwork during the two weeks commencing August 2, 2012. Adults between 25 and 65 and living in the U.S. were surveyed about their spending and saving habits. The survey respondents took part in a Computer Assisted Web Interviewing survey, with quotas set on age, gender, region, household income, and education level; with rim weighting applied at the analysis stage to ensure that the profile of the final sample was as representative as possible. Please contact us for detailed methodology information.

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