David Bowers
+44 (0) 20 7073 0733
DavidB@absolute-strategy.com

Most Positive Survey of US Household Finances Since June 2009

- **This is the most positive survey (our twelfth since June 2009) of US Household Finances. At one level this is no surprise given the decline in unemployment and the fall in oil prices. While the majority of households still worry about the financial situation, the number is declining – and a net 21% are of the opinion that this will improve over the next 12 months. The one concern is the low number of respondents that expect their personal income to increase. 53% of those polled expect flat to negative real personal income growth.**
- **One striking development is the improvement in risk tolerance. 46% of respondents are now prepared to accept occasional losses or take substantial risks - the highest since June 2009.**
- **While households are not rushing to increase leverage, access to credit has improved significantly – and is the most accessible in the survey's history.**
- **Finally there has been a significant improvement in people's perception of the economy. Policymakers still come in for widespread criticism, but the percentage saying they have done a good job has risen sharply. Inequality remains a concern with a majority believing the gap between the rich and the poor has increased over the past five years, and that it is too large.**

About the Survey …

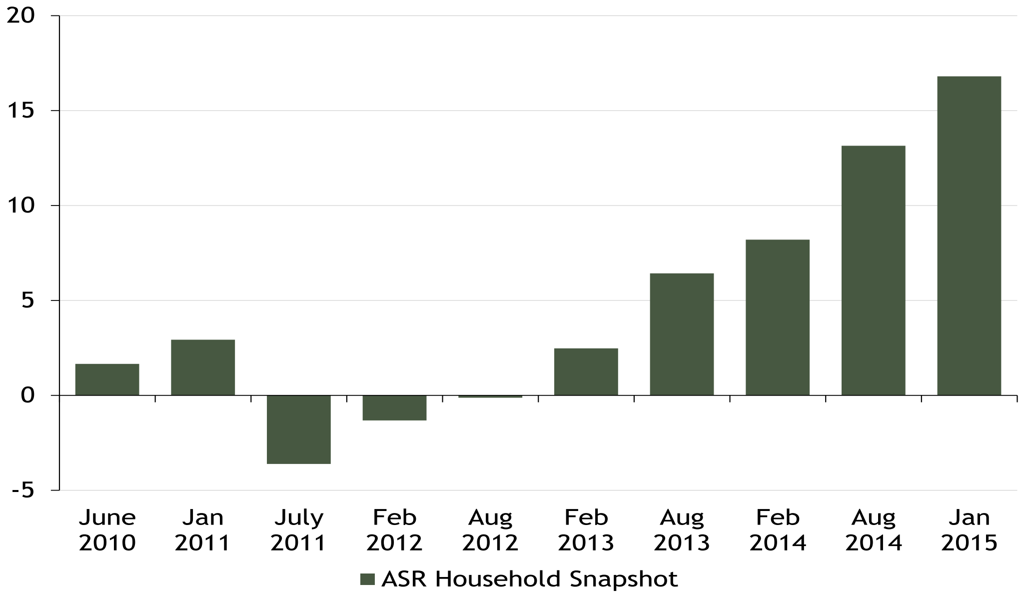
This is the twelfth survey in a proprietary series commissioned by Absolute Strategy Research to provide insight into U.S. consumer finances. The series was launched in June 2009, near the low point of the financial crisis, with a goal to provide a better understanding of the driving forces behind households' balance sheets, savings and investment behaviour in this atypical consumer recovery. The fieldwork for this latest survey of adults aged 26-65 was carried out from January 22nd - January 30th.

ASR's US Household Finance 'Snapshot'

The chart below captures the state of finances in American households in one picture. To build the chart we use seven questions from four content areas: financial wellbeing, saving, debt and housing.

As the chart shows, the position of US households continues to improve. This improvement is driven largely from two areas: the improving tolerance for risk, and a perception that access to credit is improving.

ASR's US Household Finance 'Snapshot'



Source: ASR, TNS

Key Points

Most Positive Survey of US Household Finances Since June 2009

ASR's latest Survey of US Household Finances (with fieldwork conducted in late January) paints a positive picture of US household finances. In fact this is the most positive survey since we began back in June 2009. At one level this will not come as a surprise; after all, the decline in the unemployment rate and the fall in the oil price makes for a potent positive combination. Our survey shows in more detail how these two key drivers are impacting US households' saving and borrowing behaviour.

A watershed moment for household finances: for the second survey in a row, people say their financial situation has improved.

Improving Financial Situation

Unsurprisingly, the percentage of respondents worried about their financial situation continues to decline. The net balance (% worried minus % that are not worried) still seems quite high at 67% - broadly in line with last August's result - but it is well down on the 80% recorded in June 2010 when we first asked the question.

Moreover, for the second survey in a row, more people replied that their financial situation had improved rather than deteriorated over the past 12 months. This is an important watershed. What is more, a net 21% thought that their financial situation would improve over the next 12 months.

Expectations of negative real income growth remain a concern.

Much of this optimism stems from the improvement in the labour market. The net balance of respondents feeling "secure" in their job rose from 69% to 73%. This is the best reading since July 2011. However, confidence in labour-income growth still remains muted. The net balance reporting an increase in personal incomes rose from 4% to just 9%, while only a net 16% expected an improvement in the coming year. Remarkably, despite the fall in energy prices, a majority of respondents (53%) are still bracing themselves for flat or negative real personal income growth over the next twelve months.

Saving Behaviour: The Return of Risk Tolerance

There is an improving appetite for risk.

One of the notable features of this survey is the improvement in risk tolerance. At 46%, the number of households prepared to accept occasional losses or take substantial risks now stands at the highest level since the survey began. The net balance prepared to take risks has moved into positive territory for the first time. This is a major achievement – the first survey to take risk tolerance out of the range it has been in since June 2009.

Interestingly, the improvement in risk tolerance has not changed households' ranking of what they perceive as a "safe" investment. Of the five assets assessed, cash is still perceived as the safest investment, followed by US government bonds, gold, US real estate and lastly US equities.

Access to Credit no Longer a Major Constraint

There has been a noticeable improvement in access to credit. The net balance reporting that it is hard to get a loan has fallen to just 3%; two years ago the net balance was above 30%. However, it is one thing to improve the supply of credit; it is quite another to increase the demand. Of those with debts, 43% think that their borrowings are too high, while 18% are still having trouble making their minimum monthly payments. 60% plan to reduce their total debt level over the next 12 months, while 24% have no intention of adding to their debt levels.

Expectations for US Housing have Begun to Plateau

The easy money in housing has already been made.

US households remain upbeat about the housing market but expectations have begun to plateau. A net 31% of respondents report that house prices have risen over the past 12 months, and a similar percentage expects house prices to continue to rise over the coming 12 months. The recovery in house prices has helped household balance sheets. Of those that own their home, a net 24% believe that it is worth more than they paid for it – i.e. they are sitting on unrealized capital gains. Of those that have a mortgage, a net 52% believe that it is worth more than the mortgage.

In one sense, the easy money may have been made: a net 21% think that this is a good time to buy (five years ago the figure was 60%). If asked to advise whether to rent or to buy, a net 40% would recommend buying, down from 50% two years ago.

Some Praise at Last for US Policymakers

Perceptions of the economy have improved.

There has been a remarkable improvement in people's perception of both the economy and policymakers. There are still more households that think the economy is slowing than growing, but the net balance of minus 12 is the lowest since we first asked the question two years ago. There has been a dramatic drop in the percentage of respondents using negative language to describe the improvement in the economy. A net 19% now believe that economic conditions have improved over the past year. Policymakers still come in for widespread criticism, but the percentage saying they have done a good job has risen sharply.

The issue that worries people the most remains the risk of inflation – although this could diminish over the summer as the impact of the lower oil prices feeds through. What is on the increase is the cost of healthcare. There must be a good chance that this could very soon become the #1 issue facing American households.

The other persistent theme that could be tapped in the upcoming election is the persistent concern around inequality. Our survey still suggests that the majority of households believe that the gap between the rich and the poor has increased over the past five years. There are some very tentative signs that the gap is not seen to be as big as it was: the net balance has fallen slightly over the past four waves. However, the majority of the respondents believe that the gap is still too large. In a new question, we also ask about the fairness of the tax burden: 27% believe that the amount of tax they pay is fair; 55% disagree.

Conclusion

Our survey supports the idea that US households are in the strongest and most positive situation that they have been in since June 2009. The most interesting dynamics now at work are the improvement in risk tolerance and the significant improvement in access to credit. The one dynamic that is still absent is a sustainable improvement in real personal income growth. Its absence is one reason why concerns about inequality still resonate.

Financial Wellbeing

US Households see Further Improvement in Their Financial Situation.

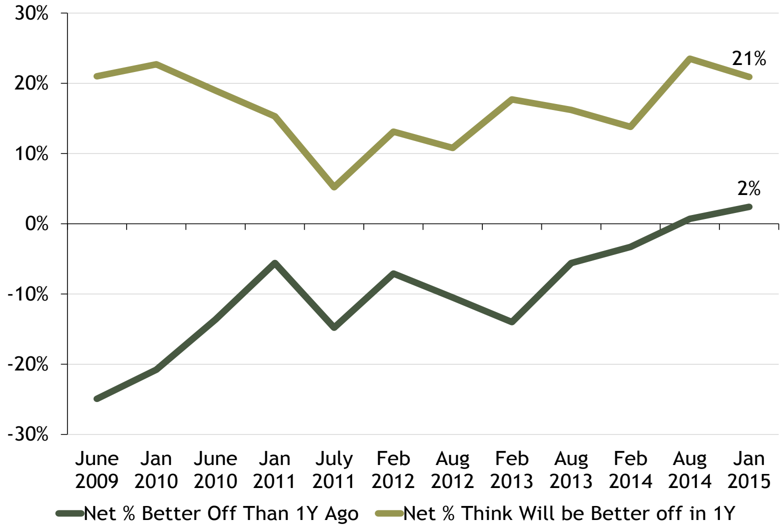
Key Points:

1. The percentage of respondents worried about their financial situation continues to decline. The net balance (% worried minus % that are not worried) stood at 67% - broadly in line with last August's result and well down on the 80% recorded in June 2010 when we first asked the question.
2. For the second survey in a row, more people replied that their financial situation had improved rather than deteriorated over the past 12 months. A net 21% thought that their financial situation would improve over the next 12 months, albeit slightly down on August's 24%.
3. Much of this optimism stems from the improvement in the labour market. The net balance of respondents feeling 'secure' in their job rise from 69% to 73% - the best reading since July 2011. The net balance reporting that their personal incomes had risen rose from 4% to 9%; while a net 16% expected an improvement in the coming year.

26% say they are better off now than they were a year ago.

And 32% think they will be better off in a year's time.

Exhibit 1: Financial Situation Improvement



	Aug 14	Jan 15
Are you better or worse off financially than a year ago?		
Better off	27%	26%
Worse off	26%	23%
About the same	45%	48%
Net % are better off	**1%**	**2%**
Will you be better or worse off financially in a year's time?		
Better off	35%	32%
Worse off	12%	11%
About the same	44%	46%
Net % will be better off	**24%**	**21%**

Base=1,003. Source: ASR, TNS

Overall, 18% of respondents report income momentum, saying that personal income is up in the last year and will continue to be up in the coming year.

However the majority, 34%, report flat personal income growth, and expect the same as they look ahead.

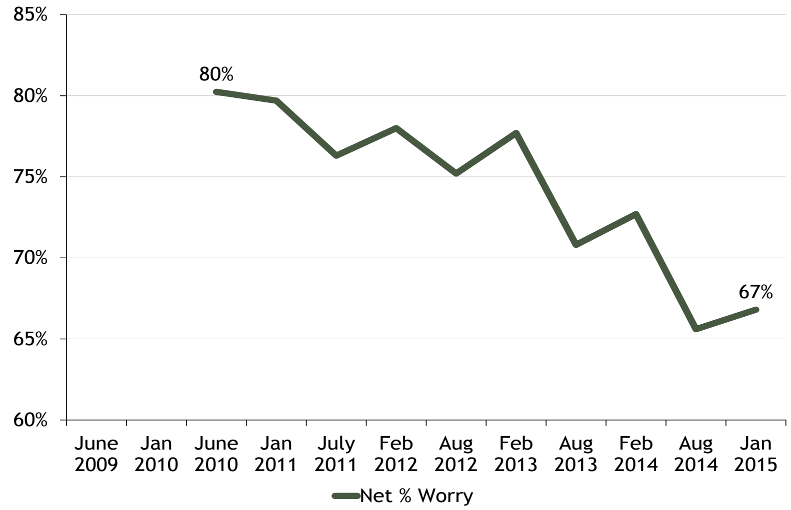
Exhibit 2: Personal Income

Over Last 12 Months, Income Has Been....	Over Next 12 Months, Income Will be... Higher	Lower	Same
Higher	**18%**	2%	9%
Lower	4%	9%	6%
Same	6%	2%	**34%**

Base=1,003. Source: ASR, TNS

A net 73% of respondents say their job feels secure.

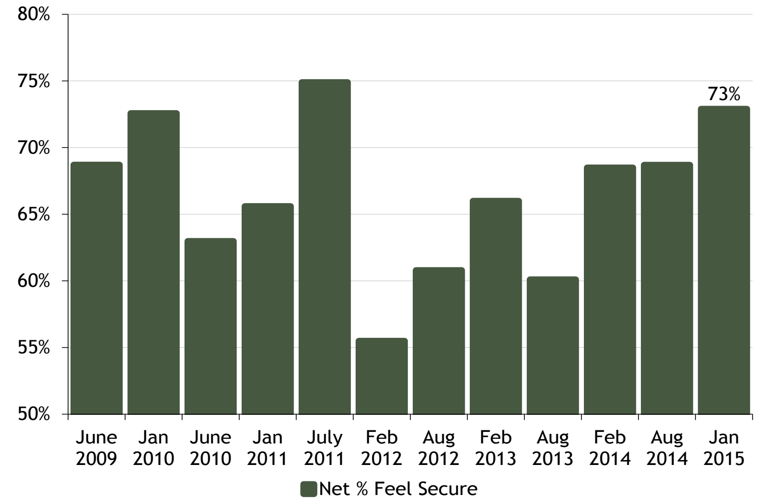
Exhibit 3: Do you worry about your financial situation?



	Aug 2014	Jan 2015
A lot	32%	32%
A little	50%	51%
Not at all	16%	16%
Don't know	2%	2%
Worry "a lot" or "a little"	*82%*	*83%*
Net % worry about finances	**66%**	**67%**

Base=1,003. Source: ASR, TNS

Exhibit 4: At this time, how secure do you feel your job is?



	Aug 2014	Jan 2015
My job feels very secure	34%	41%
My job feels fairly secure	49%	44%
My job feels fairly insecure	10%	8%
My job feels very insecure	4%	5%
Don't know	3%	3%
Total % say secure	*83%*	*85%*
Total % say insecure	*14%*	*12%*
Net % Feel Secure	**69%**	**73%**

Base=600, all in employment. Source: ASR, TNS

Saving

Risk Tolerance Significantly Better than Two Years Ago

Key Points:

1. Saving behavior has improved steadily over the past six years. At 62%, the net balance of respondents that admit to "saving too little" is one of the lowest recorded in the survey's history (it was 75% in June 2009). The net balance of participants spending ***less*** than they earn has also risen over the past two years to stand at 19%.
2. What really stands out from the survey is the improvement in risk tolerance. At 46%, the number of households prepared to accept occasional losses or take substantial risks now stands at the highest level since the survey began. The net balance prepared to take risks has moved into positive territory for the first time. But compared to a year ago, risk appetite is lower: 19% of respondents say they are taking less risk than one year ago.
3. Cash is still perceived as the "safest" investment, followed by US government bonds, gold, US real estate and lastly US equities.

Risk appetites have significantly improved. 46% now say they are willing to accept occasional losses or take substantial risks.

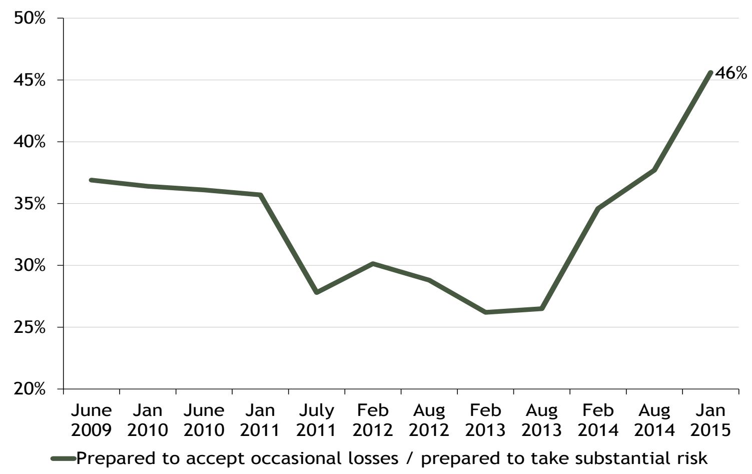
Although when it comes to what they are doing with their savings … respondents are more cautious. 63% say they are taking the same level of risk than they were a year ago.

Exhibit 5: Compared to a year ago, are you taking more or less risk with your savings?

	Aug 2014	Jan 2015
More risk	5%	6%
About the same level of risk	60%	63%
Less risk	23%	19%
Don't know	12%	12%
Net % taking more risk	**-17%**	**-14%**

Base=1,003. Source: ASR, TNS

Exhibit 6: When it comes to saving and investing, which of the following best describes your attitude toward risk-taking?

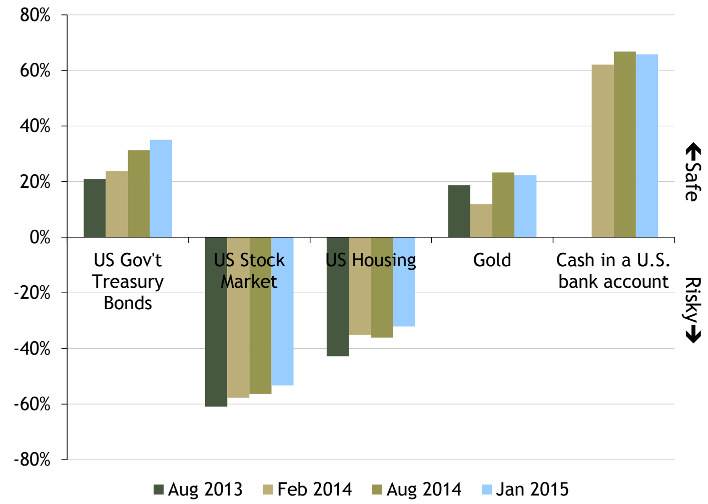


I am…	Aug 2014	Jan 2015
Not prepared to any risks	45%	37%
Prepared to take some risks and accept occasional losses	30%	40%
Prepared to take substantial risks	7%	6%
None of the above	10%	10%
Don't know	8%	8%
Prepared to accept occasional losses / prepared to take substantial risk	38%	46%
Net % prepared to take risks or accept losses	**-7%**	**9%**

Base=1,003. Source: ASR, TNS

US Treasury bonds and cash in a bank account are the only two investments seen as, on balance, safe.

Exhibit 7: How would you rate the safety of the following investments?



% Saying "Safe" minus % Saying "Risky"	**Aug 2014**	**Jan 2015**
U.S. Treasury bonds	31%	35%
U.S. stock market	-56%	-53%
U.S. housing	-36%	-32%
Gold	23%	22%
Cash in a US bank account	67%	66%

Base=1,003. Source: ASR, TNS

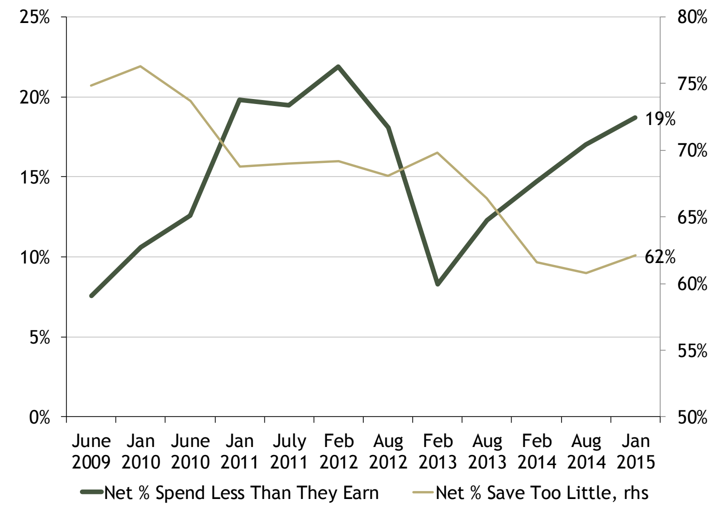
Respondents (like economists!) are divided on whether or not interest rates are at appropriate levels. 40% say rates are about right. We'd note it seems to be the savers who think rates are too low … of those who think rates are too low, almost 50% say they spend less than they earn. But of those who think rates are about right or too high, around 60% say that they are spending what they earn.

Exhibit 7: From your perspective, do you think that interest rates are currently…

	Aug 14	**Jan 15**
Too low	18%	22%
About right	32%	40%
Too high	27%	19%
Don't know	22%	19%
Net % think rates are too low	**-9%**	**3%**

Base=1,003. Source: ASR, TNS

Exhibit 8: Current Spending and Financial Situation



I am…	**Aug 2014**	**Jan 2015**
On savings.		
Saving too little	64%	66%
Saving enough	26%	23%
Saving more than I need to	3%	4%
Net % saving too little	**61%**	**62%**
Current Financial Situation:		
I spend more than I earn	14%	11%
I spend what I earn	49%	54%
I spend less than I earn	31%	29%
Net % spend less than earn	**17%**	**19%**

Base=1,003. Source: ASR, TNS

Debt

29% of respondents who have debt have student debt, and on average have around $26,000 of debt.

Exhibit 9: Do you have any educational / student loans outstanding?

No	68%
Yes	29%
Prefer not to say	4%
Average student debt	**$26,591**

Base=693. Source: ASR, TNS

The table below shows ten of the most important differences between those who have student debt and those who do not. It's clear that debt doesn't drag down the financial situation, but does present a potential problem for anyone looking to add leverage.

Exhibit 10: 10 key differences between those who have student debt and those who don't

	Have	Don't
Good time to find high-qual job	32%	23%
Personal income higher in 12m	41%	26%
Better off than a year ago	37%	25%
Will be better off 1Y from now	45%	32%
Rent or live with family	35%	25%
Would advise buying over renting	67%	57%
Hard to get a loan	50%	40%
Debt too high rel to income	62%	41%
Difficulty making debt payments	30%	15%

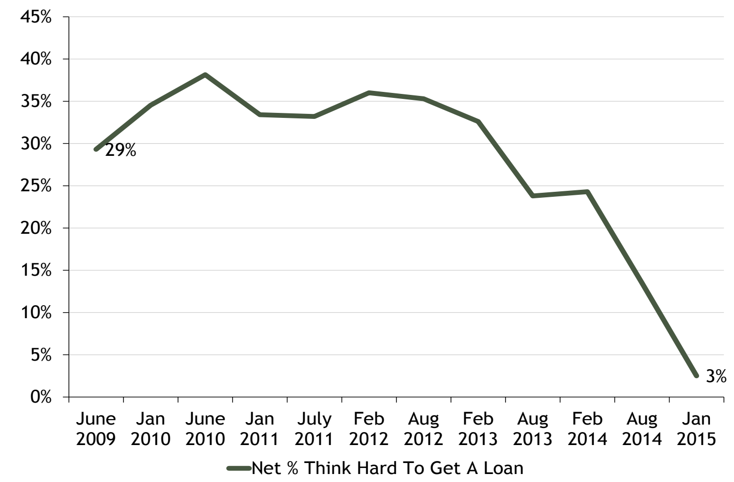
Source: ASR, TNS

A Significant Improvement in Access to Credit

Key Points:

1. There has been a noticeable improvement in access to credit. The net balance report that it is hard to get a loan has fallen to just 3%. Two years ago the net balance was above 30%.
2. However, it is one thing to improve the supply of credit; it is quite another to increase the demand. Of those with debt, 43% think that their borrowings are too high, while 18% are having trouble making their minimum monthly payments. 60% plan to reduce their total debt level over the next 12 months, while 24% have no intention of adding to their debt levels.
3. 29% of respondents have outstanding student loans, and on average have $26,000 in outstanding debt. This additional debt, crucially, does not seem to affect general economic confidence. Those with student loans are more likely to think now is a good time to find a high quality job, more likely to expect income growth, and more likely to say they'll be better off in a year's time. However, debt comes with a price: 62% think their debt is too high relative to income (compared to 43% of others), and 30% say they have had a problem making minimum payments, compared to just 18% of the rest of the respondents.

Exhibit 11: At this time do you think it is easy or hard to get a mortgage, or loan?



	Aug 2014	Jan 2015
Very hard to get a loan	14%	11%
Fairly hard to get a loan	32%	27%
Fairly easy to get a loan	28%	30%
Very easy to get a loan	5%	6%
Don't know	22%	26%
Total % say very / fairly hard	*46%*	*38%*
Total % say very / fairly easy	*32%*	*36%*
Net % Think Hard To Get A Loan	**14%**	**3%**

Base=1,003. Source: ASR, TNS

Attitudes toward taking on additional debt seem entrenched. 60% plan to reduce their debt level over the next year, another 24% don't plan to take out any further debt.

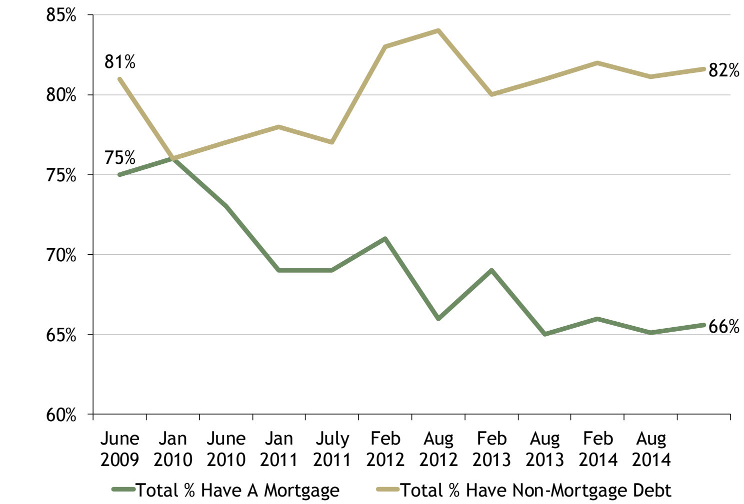
Exhibit 12: Which of the following best describes your current attitude to debt and to new borrowing?

	Aug 2014	Jan 2015
I plan to reduce my total debt level over the next 12 months.	59%	60%
I do not plan to take out on any further debt over the next 12 months	27%	24%
I am prepared to take out a new loan or mortgage if I want or need to.	5%	5%

Base = 700, those with debt. Source: ASR, TNS

Even though 79% of respondents with debt say they haven't had a problem servicing the debt, 43% say their debt is too high relative to their income.

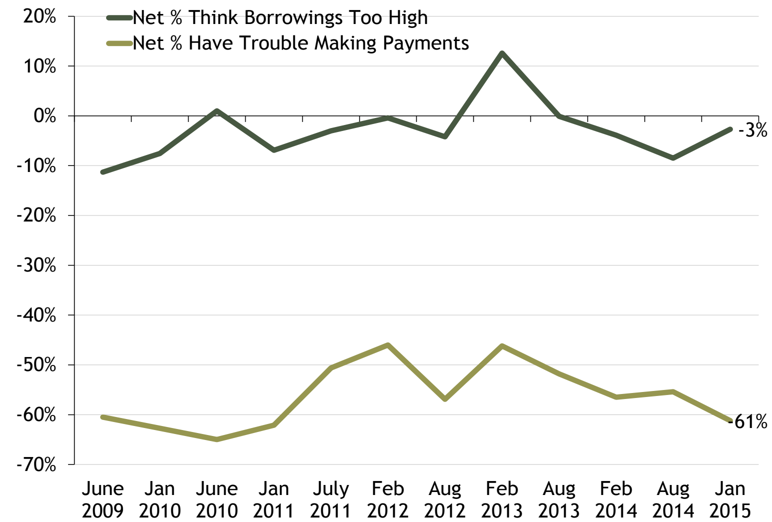
Exhibit 13: Borrowing Summary



	Aug 2014	Jan 2015
Of those who have debt:		
Only have a mortgage	19%	18%
Only have other loans	35%	34%
Mortgage and other loans	46%	47%
Total % have a mortgage	**65%**	**66%**
Total % have non-mortgage debt	**81%**	**82%**
Of all respondents:		
% with debt	**70%**	**70%**
% with no debt	**30%**	**30%**

Base=1,003 all panel and 700 those with debt. Source: ASR, TNS

Exhibit 14: Attitudes Toward Debt



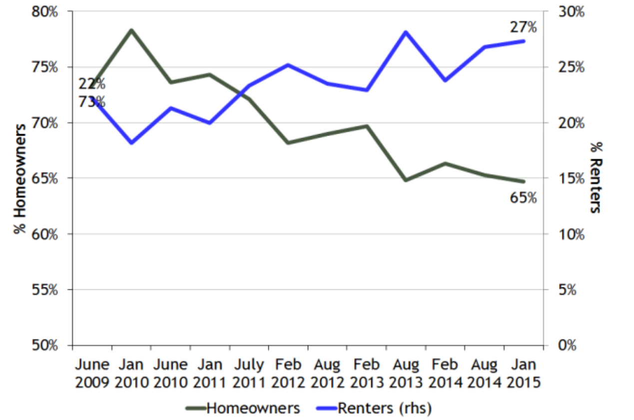
Do you…	Aug 2014	Jan 2015
Think your total debt is too high relative to your income?		
Yes	40%	43%
No	49%	46%
DK / NA	14%	14%
Net % think debt is too high	**-9%**	**-3%**
Have difficulty meeting the minimum payments on your debt?		
Yes	21%	18%
No	76%	79%
DK / NA	3%	3%
Net % have trouble making payments	**-55%**	**-61%**

Base = 700, those with debt. Source: ASR, TNS

Housing

Since 2009, the mix of respondents has been shifting slowly to renters.

Exhibit 15: Housing Status



Base=1,003. Source: ASR, TNS

More than half of respondents have lived at their current address for 8 years or more…

Exhibit 16: Length of time at current address

	All	Owner	Renter
3 years or less	30%	20%	57%
Between 4-7 years	20%	18%	25%
8 years or more	50%	62%	18%
Average # of years	**4**	**5**	**4**

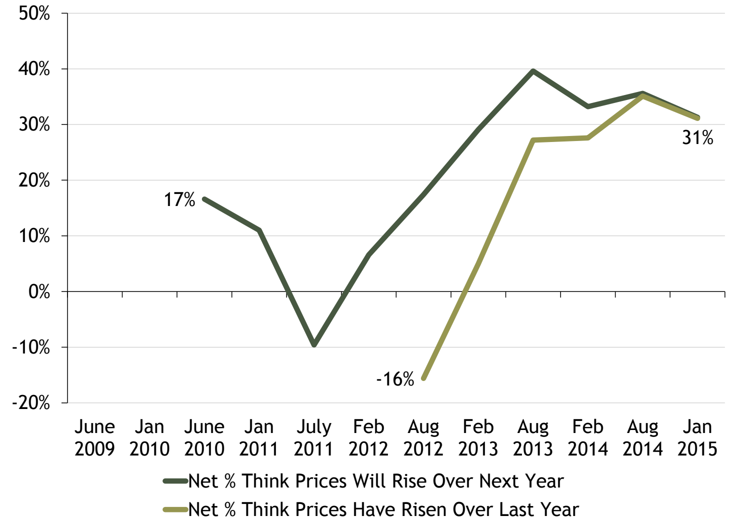
Base=1,003. Source: ASR, TNS

Expectations for Higher House Prices have Begun to Plateau.

Key Points:

1. US households remain upbeat about the housing market. A net 31% of respondents report that house prices have risen over the past 12 months, and a similar percentage expects house prices to continue to rise over the coming 12 months.
2. The recovery in house prices has helped household balance sheets. Of those that own their home, a net 24% believe that it is worth more than they paid for it - i.e. they are sitting on unrealized capital gains. Of those that have a mortgage, a net 52% believe that it is worth more than the mortgage.
3. In one sense, the easy money may have been made: a net 21% think that this is a good time to buy (five years ago the figure was 60%). If asked to advise whether to rent or to buy, a net 40% would recommend buying (down from 50% two years ago).

Exhibit 17: House Price Expectations



	Aug 2014	Jan 2015
In the last year, have house prices…		
Risen	48%	43%
Fallen	13%	12%
Net % think prices have risen	**35%**	**31%**
Over the next year, will house prices…		
Rise	45%	40%
Fall	10%	9%
Net % think prices will rise	**36%**	**31%**

Base=1,003. Source: ASR, TNS

Some of the improvement in housing seems to be approaching a plateau.

The exhibit below shows that those in their homes between 4-7 years are in a relatively worse position.

Exhibit 18: Housing finances & time at address

	Length of time at address		
	3Y or less	4-7 years	8+ years
Compared to when you bought it, is your house…			
Worth more	43%	32%	51%
Worth about the same	41%	26%	19%
Worth less	8%	33%	24%
Compared to the mortgage on it, is the current value of your house…			
Worth less	6%	19%	19%
Worth more	75%	58%	70%
Don't know	14%	17%	9%

Base=1,003. Source: ASR, TNS

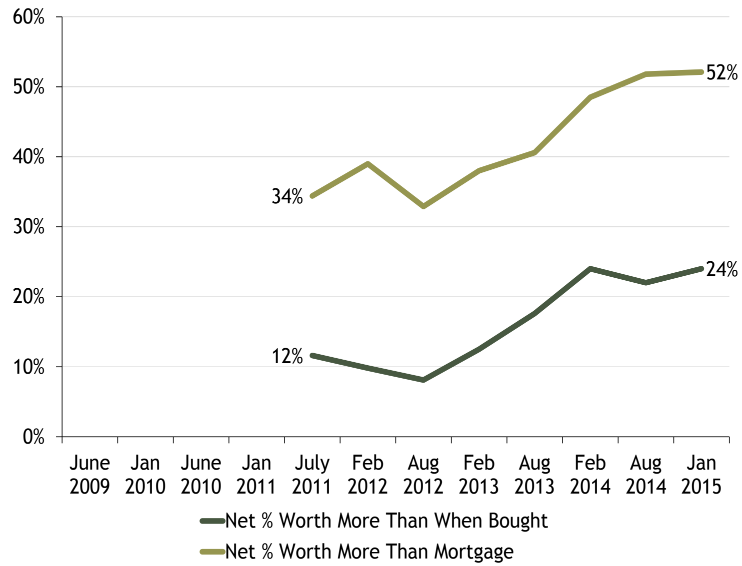
Planned mobility isn't high - 69% say it's unlikely that they will move in the next year

Exhibit 19: Whether you rent or own, do you think it's likely you will move in the next year?

	Aug 2013	Feb 2014	Aug 2014	Jan 2015
Likely	14%	16%	17%	21%
Unlikely	70%	68%	66%	69%
Not sure	17%	16%	16%	10%
Net % Say Likely	**-56%**	**-52%**	**-49%**	**-49%**

Base=1,003. Source: ASR, TNS

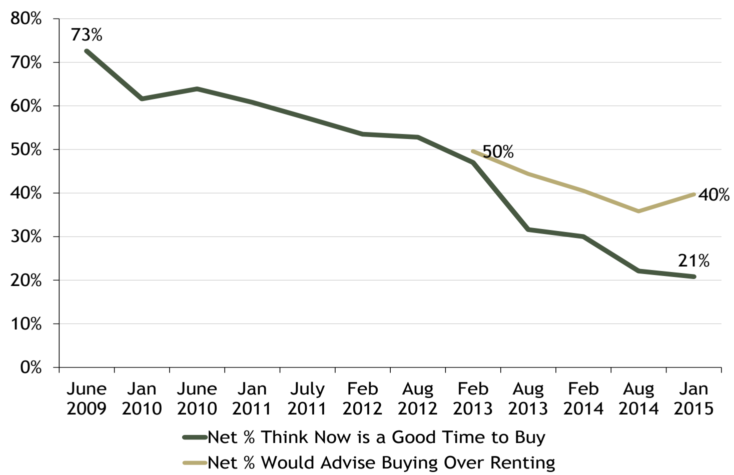
Exhibit 20: Estimated House Value



Would you say your house is worth…	Aug 2014	Jan 2015
More than when you bought it	48%	46%
About the same as when you bought it	20%	25%
Less than when you bought it	26%	22%
Net % worth more	**22%**	**24%**
Less than the mortgage	18%	16%
Worth more than the mortgage	69%	68%
Net % worth more	**52%**	**52%**

Base = 657, homeowners and 458, mortgage holders. Source: ASR, TNS

Exhibit 21: Do you think now is a good time to buy or a good time to sell a house?



This is…	Aug 2014	Jan 2015
A good time to buy	36%	35%
A good time to sell	14%	14%
Neither	27%	26%
Net % say good time to buy	**22%**	**21%**
Would you advise someone at this time to buy their own home or to rent?		
Buy	54%	54%
Rent	19%	14%
Don't know	27%	32%
Net % Say Buy	**36%**	**40%**

Base=1,003. Source: ASR, TNS

Retirement

"When I'm 64…"

Overall, investors still plan on retiring at 64, although this rises to 65 if those younger than 35 are excluded.

Still, no more than 20% in any age group consider that they may be working in their 70s.

Key Points:

1. One of the striking findings from our twelve surveys is that Americans do not appear to have changed their retirement age, which has hovered around 64.
2. 37% of those polled say they have not saved any money for retirement. For these people, the reason why they have not saved any money is because they do not have enough income to start saving. Of the 57% that have started to save money for retirement, only 30% believe that they have or are saving sufficiently.
3. A growing public policy issue is that many people do not know how to save for retirement. In Exhibit 26, we asked our panel what they saw as the best investment vehicle for saving for retirement. A net 5% said cash; a net 3% said the US stock market (and that's never been more than 9% in the past 5 years); while a net 6% said gold. Around 30% simply said that they did not know. The need to educate people about how best they can save for their retirement would appear to be a top priority.

Exhibit 22: Have you saved any money for your retirement?

	Feb 2014	Aug 2014	Jan 2015
Yes	55%	60%	57%
No, not yet	40%	34%	37%

Base = 1,003. Source: ASR, TNS

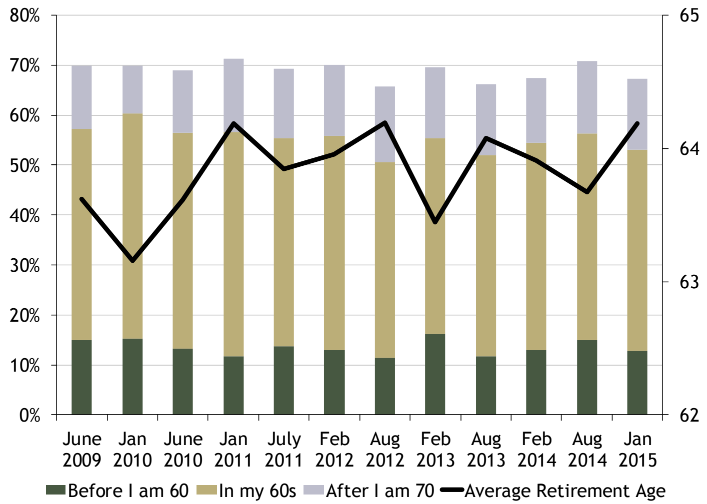
Optimism of the young! 26% of people between 25-34 think they will retire before they are 60

Exhibit 23: Planned Retirement Age and Current Age

	25-34	35-44	45-54	55-65
Before I am 60	26%	9%	9%	8%
In my 60s	37%	37%	38%	55%
After I am 70	8%	14%	19%	15%
Don't know	26%	36%	33%	18%
Average Age	**61**	**65**	**65**	**65**

Base = 1,003. Source: ASR, TNS

Exhibit 24: At What Age Are You Planning to Retire?



	Aug 2014	Jan 2015
Before I am 60	15%	13%
In my 60s	41%	40%
After I am 70	14%	14%
Don't know	26%	30%
Average Retirement Age	**64**	**64**

Base = 881, those not retired. Source: ASR, TNS

Respondents overwhelmingly say they have not saved for retirement because they don't have the income to do so

Exhibit 25: What do you think is the main reason why you haven't saved any money for retirement?

	Jan 2015
I don't have enough income to start saving for retirement	67%
I am too young to start thinking about retirement – it's too far away	4%
I expect to rely on Social Security for retirement income	5%
I expect to receive a good company pension	2%
I expect to receive an inheritance	1%
None of the above	13%
Don't know	8%

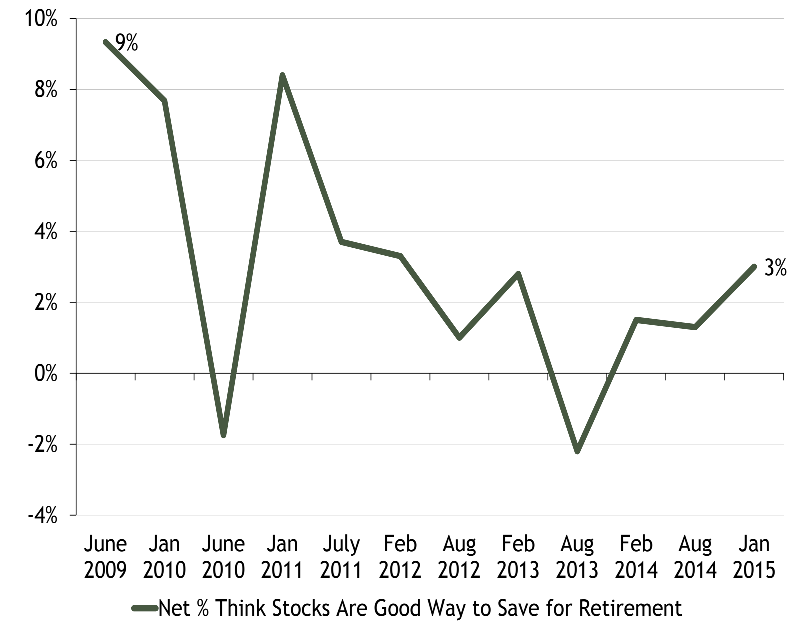
Base = 361, those who haven't saved. Source: ASR, TNS

The investment that has the highest percentage of respondents saying it is good for retirement?

Cash.

And this is from respondents who say their biggest worry is inflation!

Exhibit 26: Do you think making long term investments in the following are good ways to save for your retirement?



	Yes	No	Don't Know
Cash	43%	38%	20%
US Govt Bonds	35%	34%	31%
US Stock Market	37%	34%	28%
US Real Estate	33%	37%	30%
Gold	36%	30%	34%

Base = 1,003. Source: ASR, TNS

Political Economy

Some Good News for US Policymakers (at Last ...)

It has taken a long time for respondents to have a sense of an improving economy. A net 19% say economic conditions in the US have improved …

... yet on balance, there are still more who report a slowing economy than a growing economy.

Key Points:

1. There has been a remarkable improvement in people's perception of both the economy and policymakers. There are still more people that think the economy is slowing than growing, but the net balance of -12% is the lowest since we first asked the question two years ago. There has been a dramatic drop in the % of respondents using negative language to describe the improvement in the economy. A net 19% now believe that economic conditions have improved over the past year. Policymakers still come in for widespread criticism, but the % that saying they have done a good job has risen sharply.
2. The issue that worries people the most remains the risk of inflation - although this could diminish over the summer as the impact of the lower oil prices feeds through. What is on the increase is the cost of healthcare. There must be a good chance that within six months, this becomes the top issue facing American households.
3. There may be a bias for respondents to always worry to some degree about inflation. Yet it seems that some of these inflationary concerns are diminishing – and perhaps even losing ground as respondents' "top concern" to health care costs.

Exhibit 27: How do you think economic conditions in the U.S. have changed in the last 12 months?

Much better	4%
Somewhat better	37%
No change	27%
Somewhat worse	16%
Much worse	6%
% say conditions are better	*41%*
% say conditions are worse	*22%*
Net % Better	**19%**

Base = 1,003. Source: ASR, TNS

Exhibit 28: At this time, which of the following statements about the U.S. economy do you most agree with?

	Feb 2013	Aug 2013	Feb 2014	Aug 2014	Jan 2015
The economy is booming.	0%	1%	1%	1%	2%
The economy is growing.	14%	16%	13%	16%	21%
The economy is stable.	14%	19%	19%	22%	25%
The economy is slowing.	16%	16%	17%	17%	13%
The economy is in a recession.	31%	25%	26%	21%	17%
The economy is in a depression.	16%	11%	10%	9%	5%
None of the above	2%	2%	3%	2%	2%
Don't know	8%	9%	12%	11%	15%
Total % See Growth	*14%*	*17%*	*14%*	*17%*	*23%*
Total % See Slowing	*63%*	*52%*	*53%*	*48%*	*35%*
Net % See Growth	**-48%**	**-35%**	**-39%**	**-30%**	**-12%**

Base = 1,003. Source: ASR, TNS

A net 59% of respondents think inflation will be higher in a year

Exhibit 29: A year from now, do you think the rate of inflation will be …

	Feb 2014	Aug 2014	Jan 2015
Higher	69%	68%	63%
unchanged	15%	17%	20%
Lower	3%	2%	4%
Net % Higher Inflation	**67%**	**66%**	**59%**

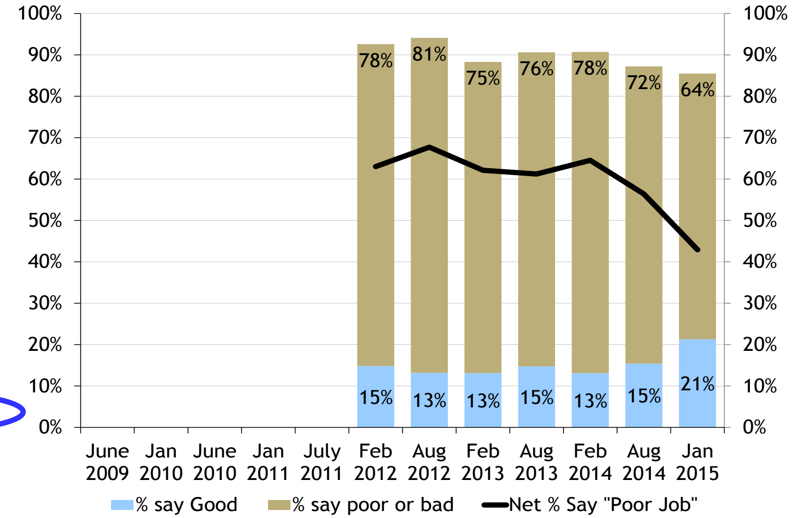
Base = 1,003. Source: ASR, TNS

Exhibit 30: Political Affiliation

Democratic Party	27%
Republican Party	26%
Independent / Unaffiliated	35%
Don't know	13%

Base = 1,003. Source: ASR, TNS

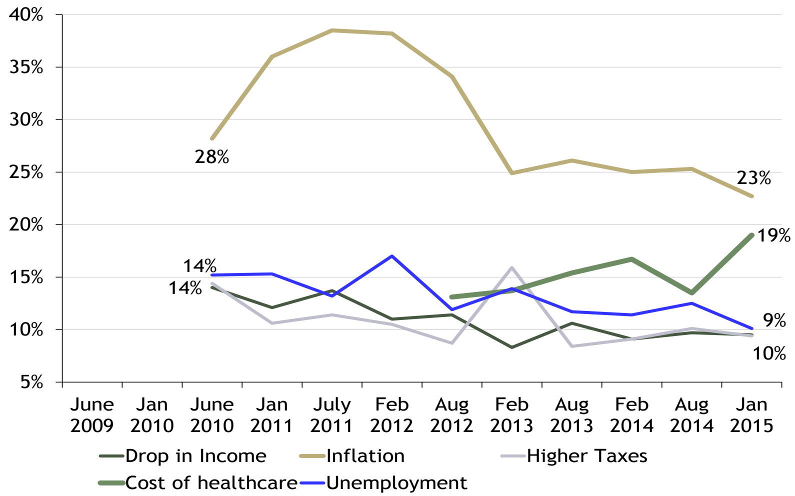
Exhibit 31: How good a job do you think policymakers have done of managing the US economy over the past 12 months?



	Aug 2014	Jan 2015
A very good job	4%	3%
A fairly good job	12%	19%
A fairly poor job	26%	29%
A very bad job	46%	35%
% say good job	*15%*	*21%*
% say "poor" or "bad"	*72%*	*64%*
Net % say "poor job"	**56%**	**43%**

Base = 1,003. Source: ASR, TNS

Exhibit 32: Which one of the following worries you most at this time?



	Aug 2014	Jan 2015
Higher taxes	10%	9%
Drop in income	10%	10%
Unemployment	13%	10%
Inflation	25%	23%
Having insufficient savings	17%	16%
Cost of healthcare	14%	19%

Base = 1,003. Source: ASR, TNS

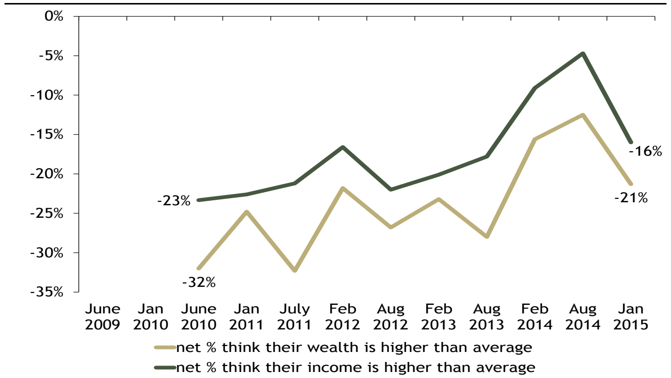
Inequality

Majority believe Gap Between Rich & Poor has Widened and is too Large

Key Points:

1. Our survey suggests that the major of households believe that the gap between the rich and the poor has increased over the past five years. There are some very tentative signs that the gap is not perceived to be as big as it was. However, the majority of the respondents still believe that the gap has become too large.
2. Another way to explore inequality is to ask people whether they think their income and wealth are "lower than average". Comparing this to June 2010 when we first introduced this question, fewer people think that that their wealth / income is lower than the average, although the Jan 2015 wave suggests that that has suffered a bit of a reversal.
3. A new question on tax fairness shows that 55% of respondents say that the amount they pay in tax isn't fair. Analysis of those who say "no" suggests there are not many significant demographic differences. Those respondents who think their tax burden is unfair are more likely to consider themselves an independent or to be Republican, less likely to report personal income growth, and less likely to believe they are wealthier than average. Interestingly, there also seems to be a relationship with housing – those who think their tax burden is unfair are more likely to have a mortgage.

Exhibit 33: Assessment of Wealth and Income



Base = 1,003. Source: ASR, TNS

Exhibit 34: Do you think the amount of tax you pay each year is fair?

Yes	27%
No	55%
Don't know	19%
Net % Say Yes	**-28%**

Base = 1,003. Source: ASR, TNS

Exhibit 35: Inequality

	Aug 2013	Feb 2014	Aug 2014	Jan 2015
Over the last five years, do you think the difference in incomes between the rich and poor have...				
Increased	62%	61%	60%	57%
Decreased	8%	8%	8%	7%
Stayed about the same	20%	21%	22%	24%
Don't know	10%	10%	10%	13%
Net % say inequality has increased	**54%**	**53%**	**52%**	**50%**
Do you think the differences in income between rich and poor have become too large?				
Yes		63%	61%	62%
No		18%	19%	17%
Don't know		18%	20%	21%
Net % say differences in incomes are too large		**45%**	**42%**	**44%**

Base = 1,003. Source: ASR, TNS

Demographic Data

Exhibit 36: Demographics Used In Sample Quota

Region	
New England / Mideast	18%
Great Lakes	16%
Plains / Mountain	14%
South Atlantic	20%
South Central	17%
Far West	15%
Age	
25-34	21%
35-44	26%
45-54	28%
55-65	25%
Gender	
Male	47%
Female	53%
Household Income	
Less than $30,000	19%
$30,000 - $49,999	19%
$50,000 - $75,000	21%
Greater than $75,000	42%
Level of Education Attained	
High school degree or less	40%
Some college - no degree	18%
Associate's degree	10%
Bachelor's degree	21%
Post-graduate degree	11%

Exhibit 37: Other Personal Demographics

Working Status	**Aug 2013**	**Feb 2014**	**Aug 2014**	**Jan 2015**
Employed by a small company (less than 250 employees)	18%	20%	25%	18%
Employed by a medium or large business (more than 250 employees)	22%	22%	23%	22%
Employed in the public sector (e.g., government, military, government funded health or education)	11%	11%	11%	11%
Not employed and not seeking work (e.g., stay at home parent/looking after the home/unable to work)	18%	17%	16%	18
Self employed	7%	6%	7%	7%
Retired	11%	10%	9%	11%
Further education/student	4%	2%	2%	4%
Unemployed (seeking work)	7%	9%	7%	2%
Historical – any employed	58%	59%	59%	58%
Marital Status				
Single	20%	23%	21%	22%
Married	61%	61%	62%	60%
Living as married	7%	6%	7%	7%
Divorced/separated	10%	9%	10%	9%
Widowed	2%	2%	1%	2%
Children (15 or under) in the Household				
0	67%	70%	66%	66%
1	15%	15%	15%	18%
2	12%	10%	14%	12%
3	4%	4%	4%	4%
4 or more	*2%*	*1%*	*2%*	*1%*
Thinking about the total value of your liquid financial assets, would you say that the total amount is worth more or less than $10,000? *				
Worth more than $10,000		39%	40%	41%
Worth less than $10,000		38%	40%	40%
Don't know		16%	11%	12%
I would rather not say		8%	9%	8%

*personal savings and investments that could be accessed or sold quickly; for example saving accounts, stocks, bonds and mutual funds that aren't in a retirement account. Source: ASR Ltd, TNS

Technical Information

This section of the report was provided by TNS who conducted the fieldwork for the survey. TNS is part of Kantar, one of the world's largest insight, information and consultancy groups, which is a wholly owned subsidiary of WPP Group Plc. Please visit www.tnsglobal.com for more information about TNS.

Overview

Between January 22-30, 2015, 1,003 adults aged between 25 and 65 and living in the US were surveyed about their spending and saving habits. This survey is the twelfth wave in a series of surveys about consumer finances, spending, savings and investment behaviour. The table below shows how many interviews were achieved in each wave. Respondents took part in a CAWI (Computer Assisted Web Interviewing) survey; the sample was drawn based on the specifications used in the 2011 survey and was drawn from the TNS USA (now Kantar's Lightspeed Research) panel. Twenty two percent of those invited to take part in the survey responded. Quotas were set on age, gender, region, terminal age of education, income and education level. Rim weighting was applied at the analysis stage to ensure that the profile of the final sample was as representative as possible.

Methodology and Sample Design

CAWI: An online methodology was used to conduct this survey as web surveys offer a quick and convenient way of interviewing populations from different countries.

Source of the sample: In order to maintain comparability with previous surveys, the sample was sourced in as similar a way as possible. The acquisition of TNS by WPP and the integration of TNS's research capabilities within the Kantar Group meant that the sample was sourced from the TNS USA research panel which is part of Kantar's Lightspeed Research panel. TNS is part of the Kantar Group which is the research arm of WPP. Lightspeed Research operates an online panel which covers Asia Pacific, Europe and North America; this provides a convenient source of sample for surveys. Lightspeed Research operates high quality panels, thus ensuring that the samples obtained are as of good a quality as possible and that survey results are robust. This is done through a variety of measures including the way in which the panels are recruited, panellist lifecycle, incentives and panel cleaning.

Recruitment: Lightspeed Research work in partnership with both broad-reach portals and special interest sites, resulting in a diversity of panelist profiles. These partnerships enable them to target-recruit hard-to-reach source groups when required. Panelists are recruited to the Lightspeed Consumer Panels through several methodologies including opt-in email, co-registration, traditional banner placements, and internal and external affiliate networks. Each prospective panelist must provide demographic and household information in our registration survey, pass through the Lightspeed RealRespondents data quality checkpoints, agree to the country-specific Terms and Conditions and Privacy Policy, and confirm their email address through a double opt-in registration process.

Panelist lifecycle: Lightspeed closely monitor the life of each panelist from recruitment, to activity level, to ongoing profiling — ensuring effectiveness and usability. Their deep panel profiling program is ongoing, and the frequency of data refreshment is dependent on the time sensitivity of the data.

Panel cleaning: Lightspeed panels are regularly cleaned to provide clients with only engaged, responsive survey participants. Panelists are removed from the panel for a variety of reasons, including: fraudulent survey activity, inactivity, opt-out request, email bounce (hard and soft).

Limitations of online research: The main limitation of conducting surveys online is that not all people have access to the internet. This is not critical for some areas of research, but we believe that for a survey about attitudes towards spending and saving, we might find that a conservative attitude towards new technologies, is linked to caution towards some spending and savings habits.

Inevitably on-line panels tend to have a bias towards younger and more professional members of the general public. However, the size and quality of the panel which TNS operate limits this possible bias. Additionally, rigorous sampling and the setting of quotas on the survey also counteract this bias, ensuring that the sample which we end up with is as high quality and representative as possible.

Method of Drawing the Sample: As the panels are comprised of people whose key demographics are already known, we ensured that the sample selected was representative by selecting it on the basis of available socio-demographic data, with the aim of matching the sample to the population on these characteristics. When drawing the sample age, gender, region and level of education were taken into account.

Quotas: To ensure that the final sample obtained was as representative of the U.S. population as possible, quotas based on U.S. government statistics which related to gender, age, region, terminal age of education, income and level of education were set.

Analysis

Corrective Weighting: To ensure that the final results were representative of the population within the US (of adults aged 25-65 years), rim weighting was applied. Weights were applied to age, gender, income, terminal age of education and region of residence. Please contact us for the exact weight given to each.

Reliability of Findings: For a random sample with an unweighted base of 1,000 the confidence interval (at a 95% level) is ±2-3%. This means that we can be sure (to 95% reliability) that the true percentage figure for a result in one surveyed country of say 40% lies somewhere between 37% and 43%.

Additional Information

Survey Background

This is the twelfth wave in a series of proprietary surveys commissioned by Absolute Strategy Research to provide our clients with insight into U.S. consumer finances. We launched the poll back in June 2009, near the low point of the Financial Crisis. Investors wanted a timely product to track the balance-sheet shock and its impact on the US household sector… and could not wait for the official data. They also wanted research that could help them understand how US households perceived the crisis, and the impact that it had on their attitudes to borrowing, saving 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 U.S. survey is part of a family of global household surveys. In 2014 we expanded coverage to include surveys on households in Germany and Japan. The surveys conducted are undertaken in collaboration with Mizuho Securities.

For further information, please contact the authors: David Bowers (david.bowers@absolute-strategy.com) or Sarah Franks (sarah.franks@absolute-strategy.com)

About Absolute Strategy Research (ASR)

ASR is an independent provider of economics and strategy research, serving institutional clients around the world. Founded in 2006, by David Bowers and Ian Harnett, ASR brings together one of Europe's most experienced teams of highly-ranked analysts across economics, strategy and sales, and has been ranked as the leading independent macro research provider in each of the last six Extel surveys.

ABSOLUTE STRATEGY RESEARCH
1-2 Royal Exchange Buildings
London, EC3V 3LF
+44 (0) 20 7073 0730
info@absolute-strategy.com
www.absolute-strategy.com