On Thin Ice

ING-ASR US Household Finances Survey

Economic and Financial Analysis
Consumer Economics

ING

Introducing the ING-ASR US Household Finances Survey

Welcome to the ING-ASR US Household Finances Survey. This is report is the result of ING's decision to commission ASR to perform this survey with the support of TNS, who conducted the fieldwork. ING's motivation was two-fold. The first was to strengthen its analysis of global economic and market trends. The US has been one of the few bright spots in the world economy over the past year, so the prospects for US household finances are crucial to hopes for staving off a synchronised downturn. Our second motivation was to deepen our knowledge of the evolution of household expectations and behaviour. We are keen to understand how the financial crisis and the unprecedented policy responses that have ensued are changing consumer behaviour.

Our friends at Absolute Strategy Research have been conducting these surveys since 2009. Teaming up with them has given us an opportunity to place consumers' current expectations into the context of their evolution from the low point of the Great Recession. As we have repeatedly argued, the recovery that the US experienced has been far from 'normal'. This is not least because it has relied heavily on sustained, ultra-low interest rates and massive asset purchases by the Federal Reserve. In driving down bond yields, the Fed has succeeded in encouraging investors to bid up the prices both of financial assets, such as stocks, and real assets, such as housing. This in turn has boosted household wealth and thereby helped to lift consumer spending.

The key question now is what will happen when the Fed reverses course and starts, finally, to raise interest rates again? It seems that we are about to find out very soon, as the financial markets are expecting the Fed to start at its December meeting. How will the financial markets react? How will consumers change their spending, saving, investment and borrowing behaviour? The answers to these questions will have huge implications not just for the US economy, but also the global economy. Yet we don't have much to go on, because we've never been here before.

It is with this in mind that ING decided to work with ASR on this survey. In particular, we have added questions about what people expect to happen to interest rates and what they might do if interest rates rise. As you will see in this report, many respondents expect interest rates to go up. But this is still not a majority of the panel, which suggests that much of the population could be in for a shock. More generally, the survey paints a picture of people being happier about their finances but less confident about the future. In the pages that follow you will find insights on a broad range of financial issues confronting US households. We hope that you find these useful in assessing the economic and market outlook and we would welcome your comments.

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On Thin Ice

ING-ASR US Household Finances Survey

Not 'Fed Ready'

The ING-ASR US Household Finances Survey comes at a timely moment. The US stands on the brink of the first rise in official interest rates since 2006. The results suggest that people are not entirely 'Fed ready'. Households feel that interest rates are too low and some – but far from all - expect them to rise. Yet if interest rates do rise, they plan to save more and borrow less.

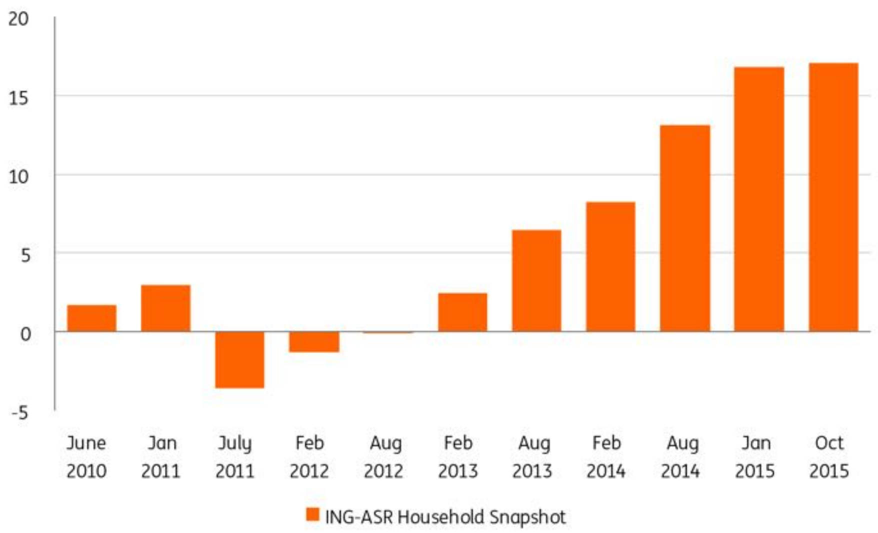
Moreover, perceptions of the economy and policymakers have deteriorated; the improvement in risk appetite has stalled; households still plan to deliver despite an improvement in credit availability; and income inequality remains a major issue.

So despite lower energy prices and a stronger labour market, US households have had mixed experiences since the previous survey nine months ago. The good news is that there has been a gradual improvement in people's financial situation, their personal income, and in the housing market. The improvement in the latter has helped transform household balance sheets. And the Household Finance Snapshot below, shows a solid 'reading'. But overall, with the Fed about to raise interest rates, the expectations revealed in this Survey leave us with a sense that US households are skating on thin ice.

About the Survey

ASR has conducted its proprietary Survey of Household Finances for more than six years. During an atypical consumer recovery, investors have needed a better understanding of the driving forces behind households' balance sheets, savings and investment behaviour. The fieldwork for this latest survey of 1041 adults aged 25-65 was carried out from October 21-November 2, 2015. This latest report has been commissioned by ING.

Chart 1: The ING-ASR US Household Finance Snapshot



Snapshot measures: financial concern, financial improvement – past & next 12m (on p4 & 5), job security (p7), risk appetite (p8), credit availability (p12) and expectations for house prices over next year (p16).

Base=1,041. Source: ING, ASR Ltd, TNS

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Executive Summary – A recovery that has left many behind.

1 This ING – ASR Household Finance Survey is the thirteenth 'wave' in a series of proprietary surveys to conduct 'a deep dive' into US household finances and behaviours.

2 The poll was launched back in June 2009, near the low point of the Financial Crisis. It has allowed tracking of the balance-sheet shock from the bursting of the housing bubble and its impact on the US household sector in a timely manner.

3 This survey goes beyond the 'typical' consumer confidence survey in that it attempts to explore the motivations and the perceptions underlying household saving and borrowing decisions of the US adult working population (aged 25-65).

4 The October survey is a positive result, but sentiment does not appear to have progressed from the poll conducted in January. Chart 1 (see the front page) takes seven metrics from the survey and creates a US Household Survey 'snapshot' indicator. Despite lower energy prices and lower unemployment, this summary indicator has not improved on January's reading.

5 When you look back at the past 5-6 years, the unemployment rate has halved, employment has risen 10%, real GDP is up 12%, oil prices have fallen 40%, bond yields have halved and the stock market has doubled. This has been topped off by the rebound in house prices – up 35% since the trough of Spring 2012.

6 And yet, despite all this good news, US households remain cautious, and in many cases, worried about their circumstances. A net 66% continue to worry about their financial situation, although that figure is down from the net 80% recorded back in June 2010 (see Chart 2). That said, the net balance reporting that they are better off than a year ago continues to creep higher, and a net 20% expect their financial situation to be better a year from now (see Chart 4). But what is clear is that for a third of the panel, their financial situation is no better than a year ago and is not expected to improve over the coming year either (see Chart 5). There is a still a persistent background worry about inflation, and what is striking is the way that healthcare costs are becoming a growing source of concern (see Chart 6).

7 The economy has disappointed this year. We know that consensus GDP growth expectations have been revised down, and the survey shows an abrupt reversal in perceptions of economic conditions (see Table 8). Respondents still struggle to find positive words to describe the US economy at this time. Only 14% of our panel use words like "booming" or "growing" (see Chart 7).

8 One positive development is the improvement in personal income over the past 12 months, together with positive expectations for the coming year. But job security has still to pick up. Of those in employment, the net balance that believes their job to be secure is no different from June 2009 (see Chart 10). This is an extraordinary evolution.

9 Another positive development is that people are saving more or – to be precise – fewer people think they are "saving too little" (see Chart 12). There are also signs that risk appetite is still on an improving trend. The proportion of the panel willing to endure occasional losses and prepared to take substantial risk has been on an improving trend for over two years – although it pulled back in the most recent wave (see Chart 16). Again what is striking is that we can see still a core of risk aversion that has not disappeared. 39% of those polled are not prepared to take any risks with the savings – practically unchanged since June 2009.

10 When it comes to investments, cash is still perceived as the “least risky” asset class (see Chart 17) even when it is held in a bank. Bonds are seen as the second safest asset – followed by gold, real estate and then equities.

11 The Financial Crisis does seem to have transformed people’s attitudes to debt. The net balance of respondents that say they have a mortgage has fallen from 13% in June 2009 to a minus 6% today – and the pattern is similar for non-mortgage borrowing (see Chart 20). 34% of our panel have no debt – up from 21% back in June 2009 (see Chart 19). And the lack of credit availability does not seem to be the constraint it was back in 2009-2011 (see Chart 22).

12 As the Fed is poised to raise interest rates, we explore how US households might respond. Interestingly, more people think that interest rates are “too low” than “too high” (see Table 25). Many believe that interest rates will be higher a year from now (see Table 26). It will probably encourage people to save more – but interestingly 44% reply that it will make no change to their behaviour (see Table 27). Of those with debt, 34% report that higher interest rates will make no change, but 31% said that they would try and pay off some of their borrowings (see Table 28).

13 The positive impact on household balance sheets of the recovery in house prices cannot be overestimated. A net 62% of homeowners now believe their house is worth more than they paid for it, while a net 38% of those with a mortgage believe their house to be worth more than their mortgage (see Chart 31). This represents a transformation of the situation three years ago. 84% of the survey’s panellists not only think house prices have risen over the past year, but they also believe that they will increase next year too.

14 Income inequality remains a major issue. For the fourth wave in a row, 60% believe that the income gap between rich and poor is greater than five years ago, while 61% believe that gap has become too large (see Table 35). Just under half the panel believe both statements to be true (see Table 36). Of those that believe the income gap to be a problem, 38% are independent/unaffiliated voters, while 33% are Democrats. Of those that do not believe it to be a problem 52% are Republicans.

1. Financial Situation – still worried

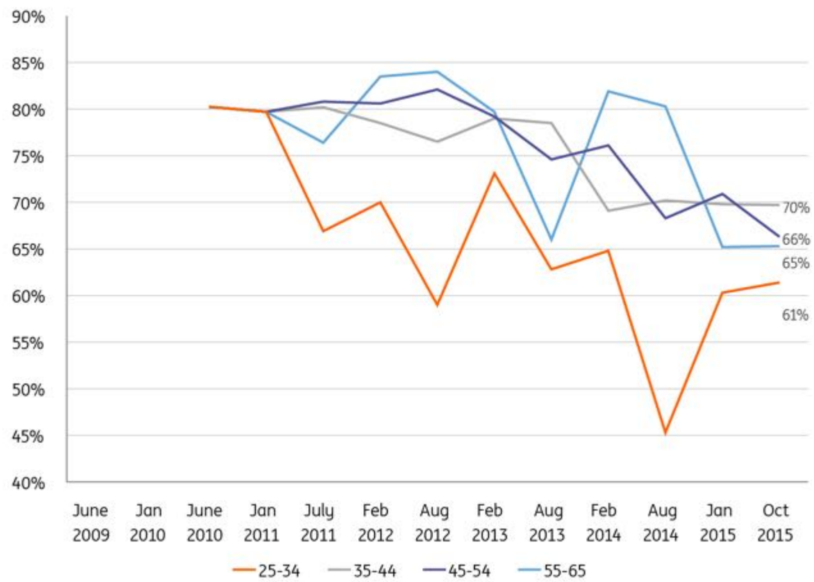
US households still worried about their financial situation but the trend is improving

The financial situation for a third of our panel is no better than a year ago … and is not expected to get better in the year ahead

Overall a net 66% still "worry" about the financial situation. This chart shows how that breaks down across different age cohorts.

Despite the decline in unemployment and the fall in energy prices, a net 66% of our panel continue to worry about their financial situation. The good news is that the number of people worrying has declined compared with five years ago; the bad news is that the improvement has stalled over the past year. The number of people that spend less than they earn has remained steady at around 31%, while the number that are spending more than they earn continues to run around 15%. That said, the net balance reporting that they are better off compared with a year ago continues to creep higher, and a net 20% expect to be better off a year from now. But this still feels like a begrudging recovery where 35% report no change in their financial position over the past year – and expect no change for the year ahead. Despite Obamacare, healthcare costs are fast catching up with inflation as the major source of worry.

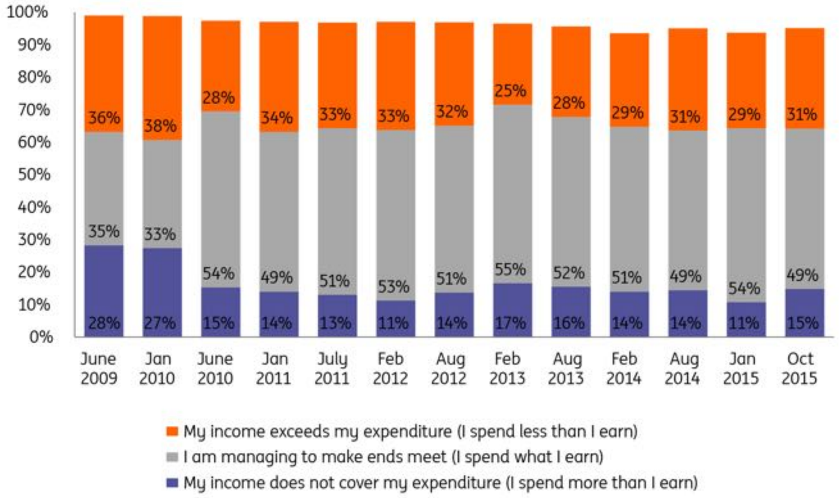
Chart 2: Do you worry about your financial situation? (Net % Worry)



Base=1,041. Source: ASR Ltd, TNS

31% spend less than they earn, whereas 15% spend more than they earn

Chart 3: Which one of the following statements best describes your current financial situation?



Base=1,041. Source: ASR Ltd, TNS

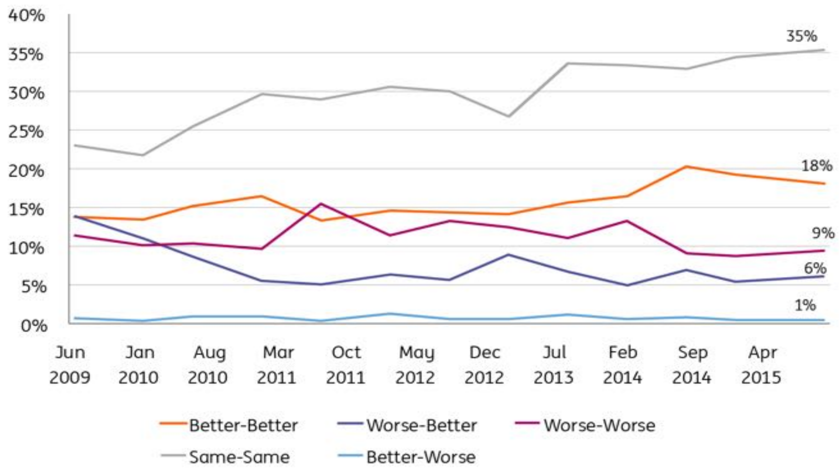
A net 3% feel better off financially than a year ago – and a net 20% expect to be better off a year from now

Chart 4: Better off financially now, and one year from now

Base=1,041. Source: ASR Ltd, TNS

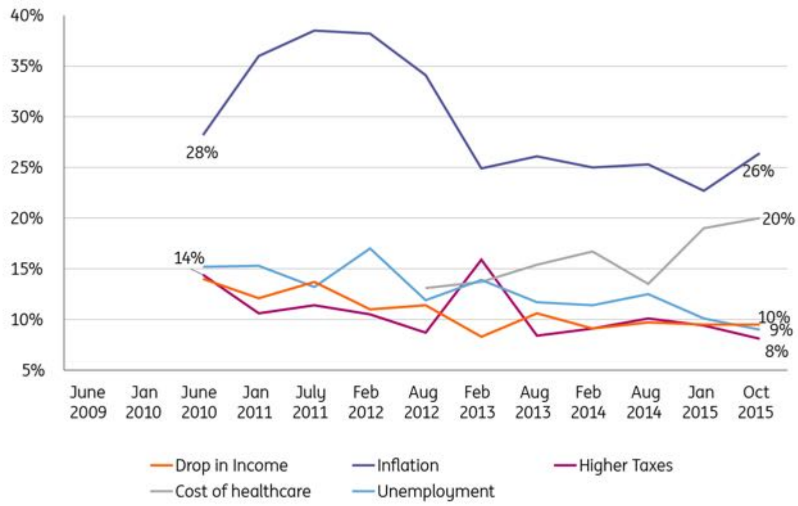
If you 'cross' the two questions in Chart 4, you can derive the following chart. 18% have seen their financial position improve over the past 12 months AND expect their financial situation to improve again in the coming year. In contrast 35% have seen no improvement over the past year – nor do they expect things to improve over the coming year

Chart 5: Perception of financial situation – past year vs next year



Base=1,041. Source: ASR Ltd, TNS

Chart 6: Which one of the following worries you most at this time?



Base=1,041. Source: ASR Ltd, TNS

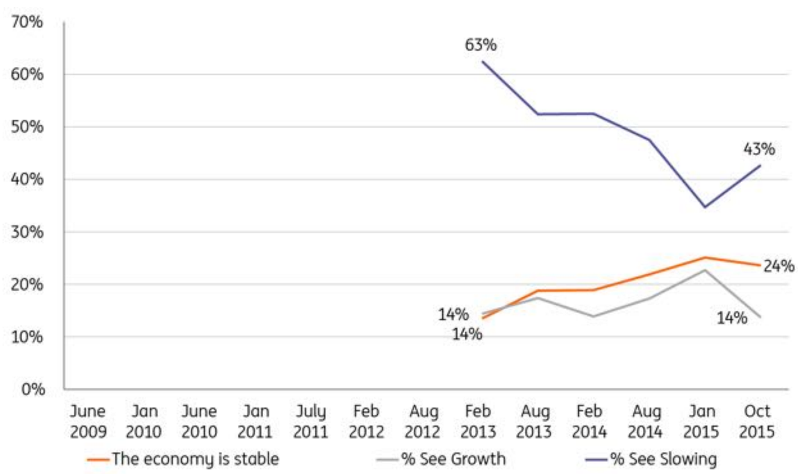
2. Economy – disappointing

The US economy appears to have suffered a setback this year, despite a decline in unemployment and lower energy prices

Despite the decline in unemployment and the fall in energy prices, perceptions of the US economy seem to have suffered a setback. Back in January 2015, a net 19% thought economic conditions had improved; ten months later and a net 5% now think economic conditions have got worse. Only 14% of our panel believe the economy is "booming" or "growing"; in contrast 43% think the economy is "slowing", "in a recession", "in a depression". Two thirds of our panel think that policymakers are doing "a poor job". For those in employment, job security is no different from where it was in June 2009, although people are most positive about their personal income growth. Curiously, despite the decline in the oil prices, perceptions of inflation have deteriorated slightly since the start of this year.

Chart 7: At this time, which of the following statements about the U.S. economy do you most agree with?

Only 14% of our panel believe that the economy is "growing" or "booming" – back to levels last recorded in February 2014. Three times as many respondents choose to use more negative language to describe the economy.



Base=1,041. Source: ASR Ltd, TNS

The more pessimistic view on the US economy seems to have coloured people's perceptions of policymakers: two thirds of our panel think that they are doing 'a poor job'

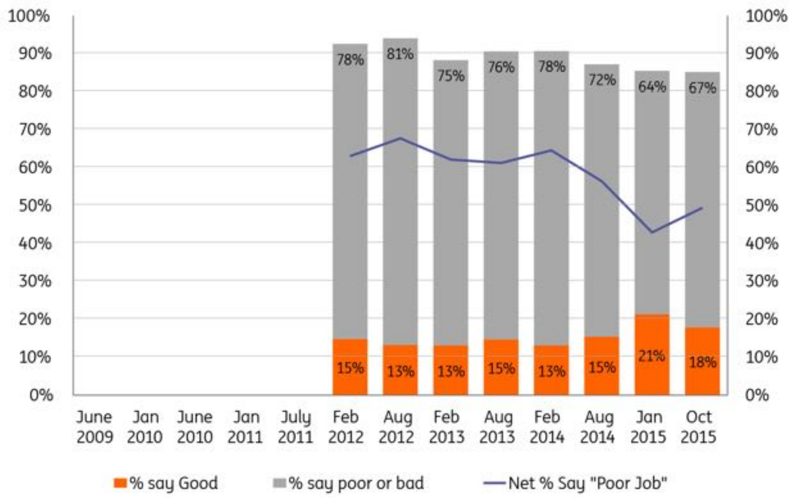
Strange but true: of those in employment, the net balance of respondents that feel their job is secure is no different from where it was in June 2009. The good news is that more people are reporting that their personal income has improved, and a net 16% expect a further improvement over the next 12 months

Table 8: How do you think economic conditions in the U.S. have changed in the last 12 months?

	Jan 2015	Oct 2015
Much better	4%	3%
Somewhat better	37%	24%
No change	27%	29%
Somewhat worse	16%	24%
Much worse	6%	8%
Don't know	11%	12%
% say better	*41%*	*27%*
% say worse	*22%*	*32%*
Net % Better	19%	-5%

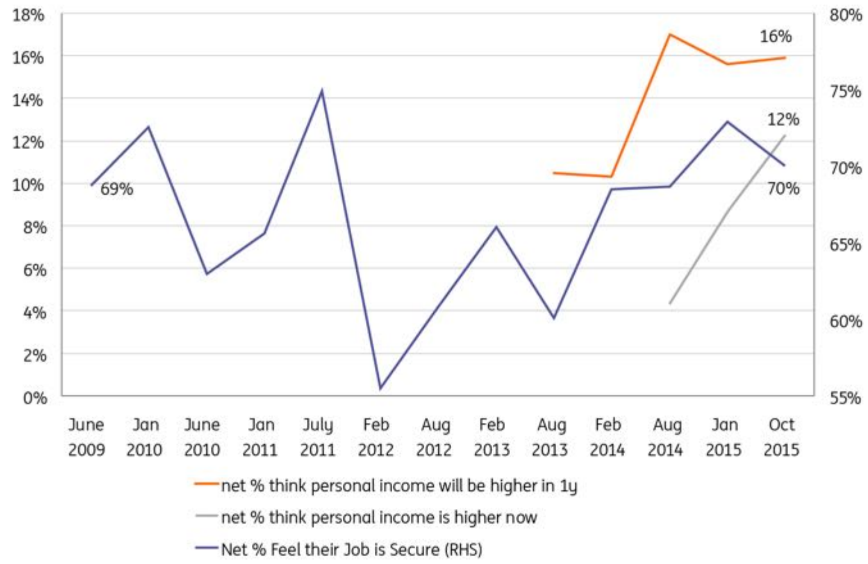
Base=1,041. Source: ASR Ltd, TNS

Chart 9: How good a job do you think policymakers have done of managing the US economy over the past 12 months?



Base=1,041. Source: ASR Ltd, TNS

Chart 10: Job Security and Personal income outlook



Base=1,041 (personal income), 660 (all employed). Source: ASR Ltd, TNS

A net 64% of those polled believe that the rate of inflation will be higher a year from now

Table 11: Thinking about consumer price inflation, a year from now, do you think the rate of inflation will be…

	Feb 2014	Aug 2014	Jan 2015	Oct 2015
Much higher	19%	18%	16%	16%
Slightly higher	50%	50%	47%	50%
Unchanged	15%	17%	20%	19%
Slightly lower	2%	2%	3%	2%
Much lower	1%	0%	1%	0%
Don't know	13%	13%	13%	13%
Higher (Net)	69%	68%	63%	66%
Lower (Net)	3%	2%	4%	2%
Net % Higher Inflation	67%	66%	59%	64%

Base=1,041. Source: ASR Ltd, TNS

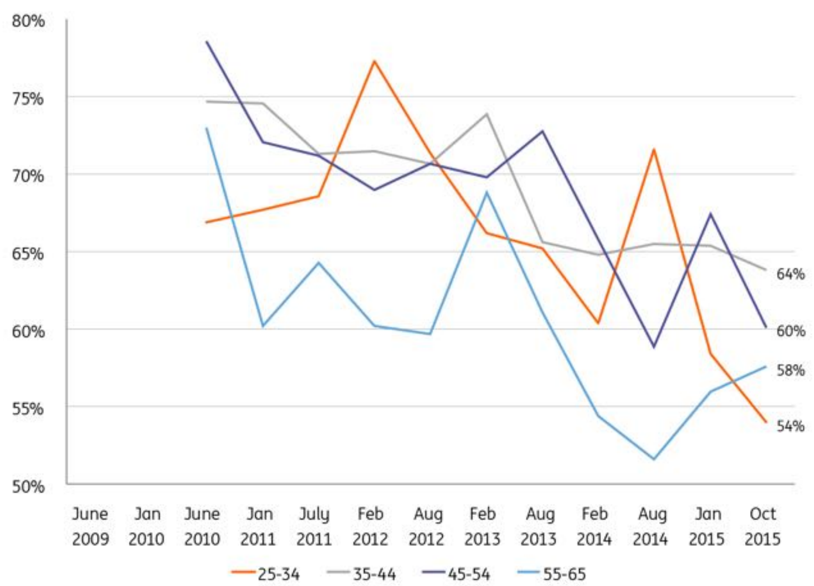
3. Saving – risk appetite grows

As the recovery has taken hold, there has been a decline in the number of respondents "saving too little"

The good news is that the number of respondents that believe they are saving "too little" has declined significantly since January 2010. There are also growing signs that risk appetite has begun to recover. The net balance taking greater risk with their savings is less negative than it was in February 2014. More people are prepared "to take risks" or to "accept occasional losses". If people had additional money to invest, a fifth would invest it in the stock market – although almost half the panel did not know where they would invest. Cash is still 'king' – it is perceived as the safest asset, while equities are seen as the riskiest asset class. Those respondents that are prepared to take some risk see Treasury bonds, real estate and cash in the bank as being much safer than those that are risk averse.

This shows the net balance of those saying that they are saving "too little" broken down by age cohort

Chart 12: Are you saving too little? (Net % said 'yes')



Base=1,041. Source: ASR Ltd, TNS

Table 13: Are you taking more/less risk with your savings?

	Feb 2014	Aug 2014	Jan 2015	Oct 2015
More risk	5%	5%	6%	5%
About the same level of risk	58%	60%	63%	66%
Less risk	23%	23%	19%	18%
Don't know	14%	12%	12%	12%
Net % Taking More Risk	-17%	-17%	-14%	-13%

Base=1,041. Source: ASR Ltd, TNS

Marginally more people think that US equities will be higher a year from now than lower – but just under a third 'don't know' …

Table 14: A year from now do you think US stocks will…

	Oct 2015
Rise a lot (more than 10%)	3%
Rise a little (about 5%)	22%
Remain the same	22%
Fall a little (about 5%)	15%
Fall a lot (more than 10%)	8%
Don't know	30%
RISE (Net)	*25%*
FALL (Net)	*23%*
Net % Say Rise	*2%*

Base=1,041. Source: ASR Ltd, TNS

In the event of an unexpected windfall, the stock market would be prime beneficiary – but almost half the panel did not know where they would invest

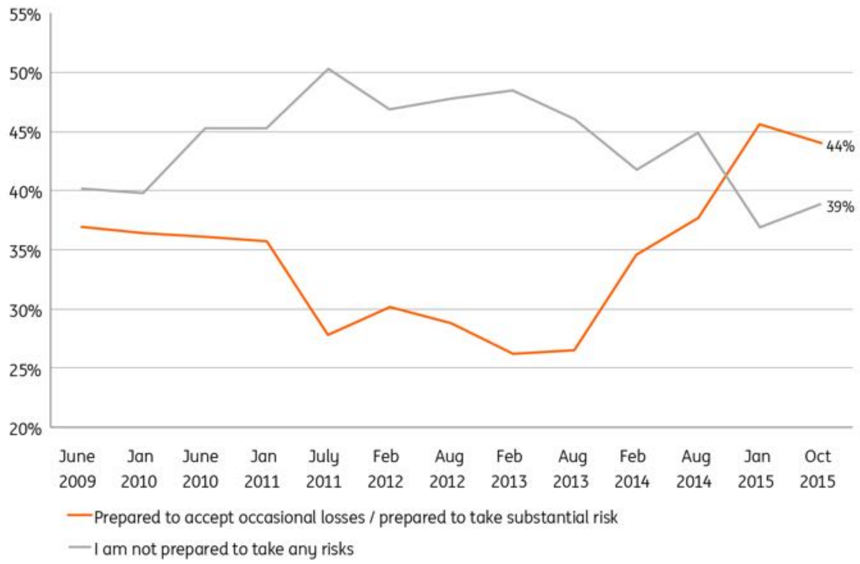
Table 15: If you had additional money to invest, would you most want to buy…

	Oct 2015
Stocks	21%
Bonds	10%
Stock market listed real estate (REITS)	4%
Commodities	7%
Alternative investments	12%
Don't know	46%

Base=1,041. Source: ASR Ltd, TNS

39% of our panellists are not prepared to take any risk with their savings (still at levels last seen in 2009/10)

Chart 16: When it comes to saving and investing, which of the following best describes your attitude toward risk-taking?

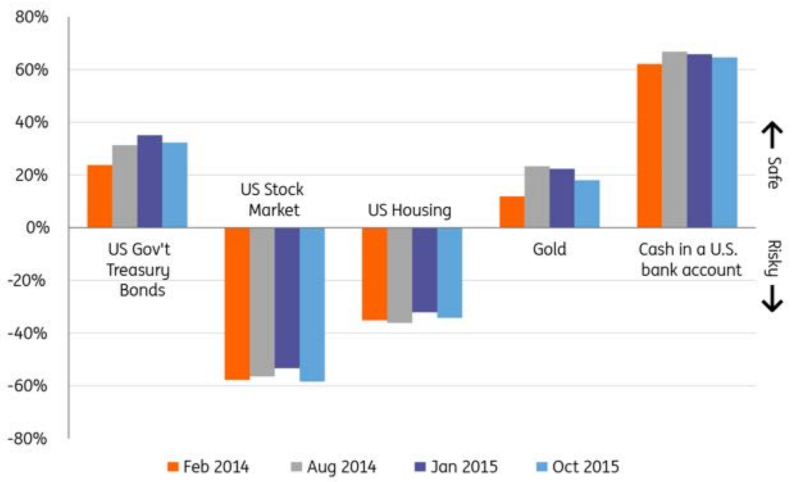


Base=1,041. Source: ASR Ltd, TNS

A clear pattern is now emerging as to how our panel views the risk characteristics of the major asset classes

Cash in the bank is seen as 'most safe' whereas the US stock market is seen as 'most risk'

Chart 17: How would you rate the safety of the following investments?



Base=1,041. Source: ASR Ltd, TNS

This table explores how people perceive the major asset classes, depending on their own attitude to risk.

The first numerical column looks at the preferences of the whole sample; the second column looks at the preferences of those that will take some risk; and the third column looks at the preferences of those that remain steadfastly risk averse

It seems that people that are risk-tolerant believe that all assets are safer than those who are risk averse

Table 18: How would you rate the safety of the following investments?

	Total	Will Take Risk	No Risk
	100%	44%	39%
U.S. government Treasury bonds			
Don't know	22%	12%	23%
% safe	55%	70%	49%
% risky	23%	19%	28%
Net % safe: Treasury	32%	51%	20%
U.S. stock market			
Don't know	14%	5%	14%
% safe	14%	20%	9%
% risky	72%	75%	78%
Net % safe: stock market	-58%	-55%	-69%
U.S. Real estate (e.g.housing)			
Don't know	14%	6%	13%
% safe	26%	34%	19%
% risky	60%	60%	68%
Net % safe: housing	-34%	-25%	-49%
Gold			
Don't know	23%	15%	22%
% safe	47%	52%	47%
% risky	29%	33%	30%
Net % safe: Gold	18%	20%	17%
Cash in a U.S. bank account			
Don't know	9%	3%	8%
% safe	78%	89%	75%
% risky	13%	8%	18%
Net % safe: Cash	65%	81%	57%

Base=1,041. Source: ASR Ltd, TNS

4. Borrowing – still unpopular

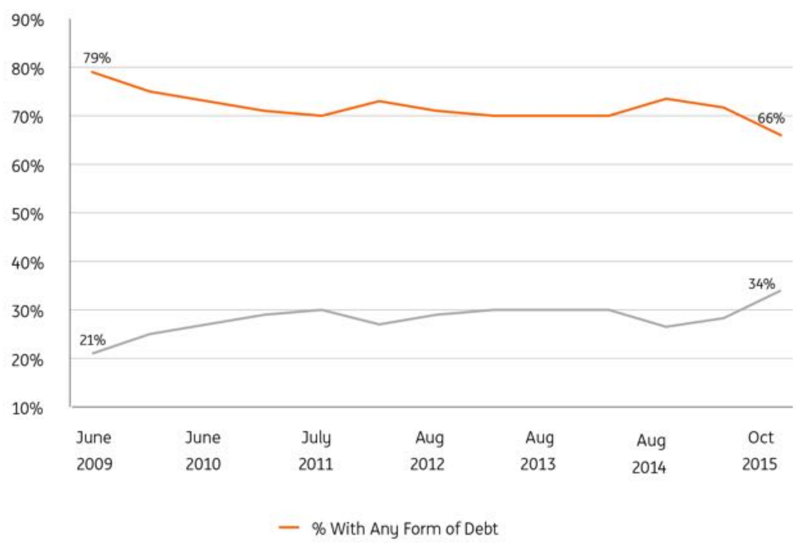
Our survey suggests that there has been a major change in attitude to debt and borrowing

The proportion of our panel that now has no debt has risen from a fifth in June 2009 to a third today

There has been a significant trend decline in the number of people with borrowings. Back in June 2009 a net 26% of respondents had some kind of non-mortgage loan; that is now down to a net 6%. Back in June 2009 a net 13% had a mortgage; six years later the net balance is now minus 6%. The percentage of our panel reporting that have no debt at all has risen from 21% in June 2009 to 31% today. This has taken place against a background where credit availability has improved significantly. Interestingly, of those with debt, the net balance that believe their borrowing is too high has remained broadly unchanged. They either want to continue to reduce their debt level or keep their borrowing at current levels. This desire to de-lever appears deeply embedded despite low interest rates, falling unemployment, rising house prices and better credit availability. That suggests that persistent job insecurity and low personal income growth may be major drags on the consumer credit cycle.

Only 66% of our panel have some exposure to debt.

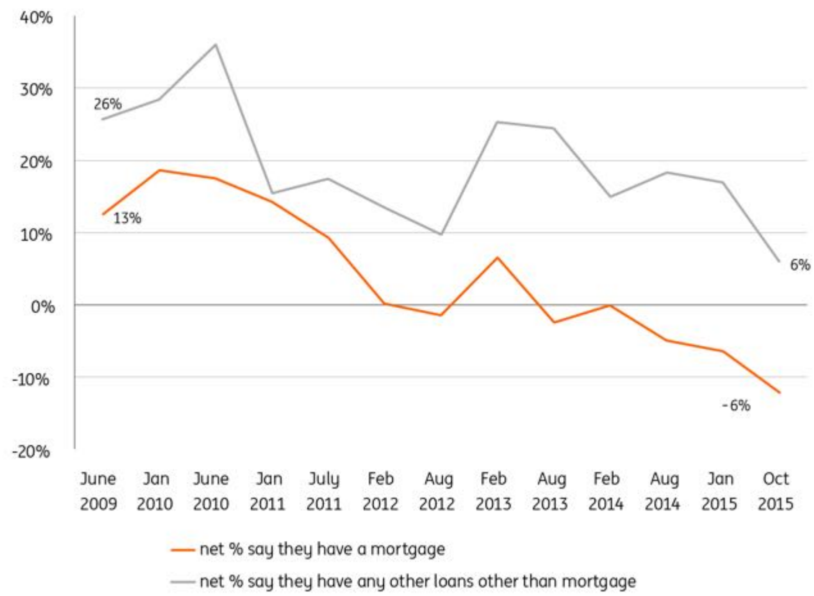
Chart 19: Debt Structure (of all respondents)



Base=1,041. Source: ASR Ltd, TNS

Deleveraging in action ...

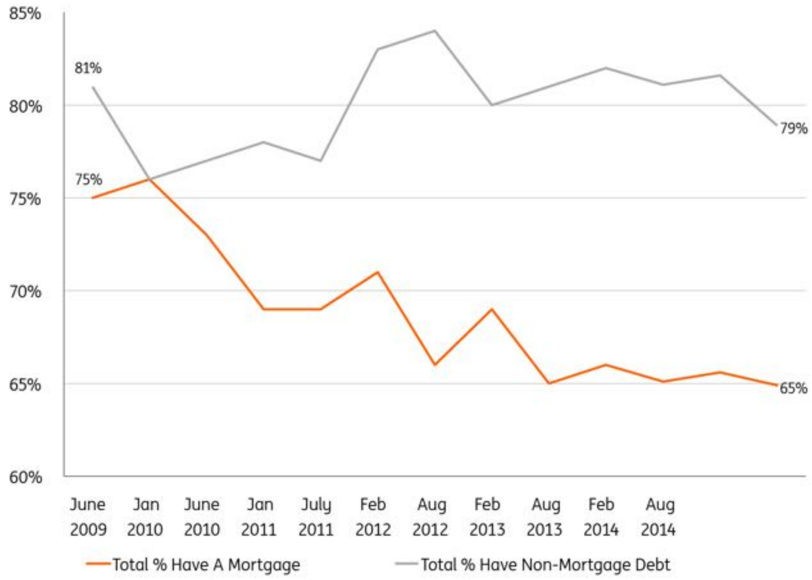
Chart 20: Do you have a mortgage or any other borrowings?



Base=1,041. Source: ASR Ltd, TNS

Of those with debt, 65% have a mortgage and 79% have non-mortgage debt

Chart 21: Debt Structure (of those with debt)



Base=690. Source: ASR Ltd, TNS

Supply of credit has improved significantly

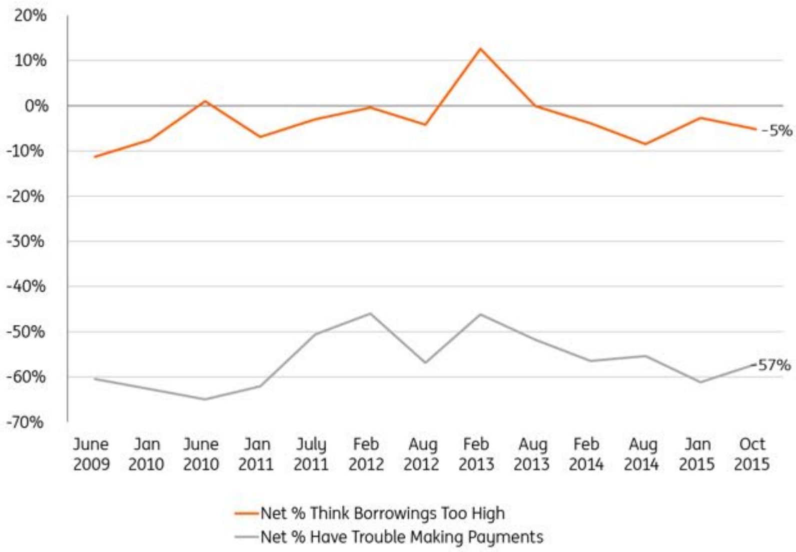
Chart 22: Do you think it is easy or hard to get a mortgage, or loan?

Base=1,041. Source: ASR Ltd, TNS

43% think their borrowings are too high relative to their income; 48% do not.

20% are struggling to meet the minimum monthly payments on their borrowings; 77% are not.

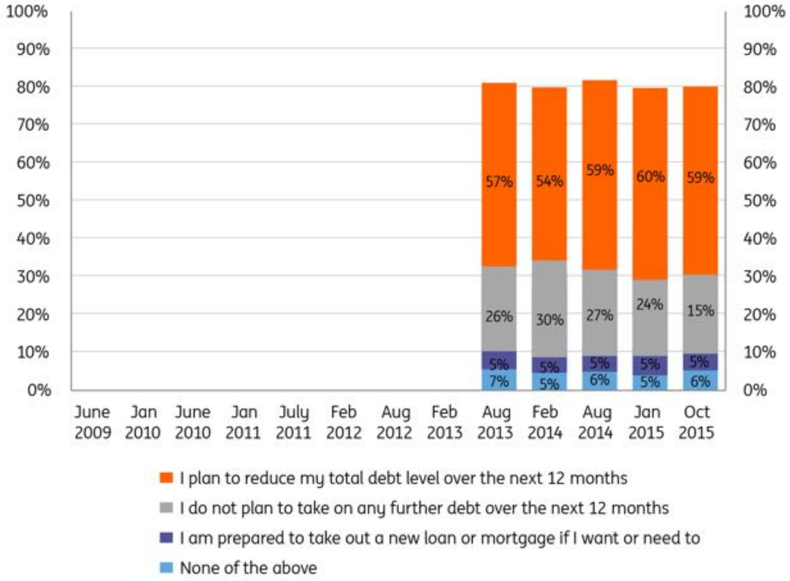
Chart 23: Levels of borrowing and difficulties in repaying



Base=690. Source: ASR Ltd, TNS

The majority of those with debt either want to reduce their debt level further over the next 12 months, or they have no plans to take on any further borrowings

Chart 24: Thinking about your level of debt, which of the following best describes your current attitude to debt and to new borrowing?



Base=690. Source: ASR Ltd, TNS

5. Interest Rates – too low!

As we approach what could be the first tightening of US monetary policy in this cycle, we have added some new questions to try and see how US households might react

At the time of the fieldwork for this survey, there was much speculation that the Federal Reserve would increase interest rates at its December 2015 FOMC meeting. We thought it would be topical to explore how people saw the current level of interest rates, and how a move to raise interest rates would impact borrowers and savers alike. Currently a quarter of panellists think that interest rates are too low (predominantly savers and people saving for their retirement). Just under a fifth think interest rates are too high (mainly borrowings). In August 2014 a net 9% thought rates were too high; now a net 7% think they are too low. Indeed, a net 39% of our respondents expect interest rates to be higher a year from now. The impact of higher rates would be to boost saving. Of those with debt, 46% said they would borrow less – and pay some more off.

There is a growing perception that interest rates are too low

Table 25: From your perspective, do you think that interest rates are currently...

	Aug 2014	Jan 2015	Oct 2015
Too low	18%	22%	25%
About right	32%	40%	34%
Too high	27%	19%	18%
Don't know	22%	19%	23%
Net % Too Low	-9%	3%	7%

Base=1,041. Source: ASR Ltd, TNS

The majority of those that expressed an opinion believe that rates will be higher a year from now

Table 26: A year from now do you think interest rates will be...

	Oct 2015
Higher	43%
Lower	4%
Unchanged	27%
Don't know	25%
Net % Say Higher	39%

Base=1,041. Source: ASR Ltd, TNS

Higher rates might encourage people to save more

Table 27: Thinking about your savings, if interest rates rise from today's levels would you...

	Oct 2015
Save more	27%
Save less	9%
Make no change	44%
Don't know	21%
Net % Save More	18%

Base=1,041. Source: ASR Ltd, TNS

Of those with debt, higher interest rates would encourage people to pay back some of their loans

Table 28: Thinking about your level of debt, if interest rates rise from today's levels, would you be most likely to...

	Oct 2015
Borrow less	15%
Try to refinance my debt at a lower rate	8%
Try to reduce my debt by paying some off	31%
Make no change	34%
Don't know	12%

Base=690. Source: ASR Ltd, TNS

Those that have retired are worried by the current low level of interest rates (the reason for the low base is because very few people under the age of 65 have retired)

Table 29: Now thinking about your retirement savings and the level of interest rates, are you...

	Oct 2015
Very worried about your income in retirement	15%
A little worried about your income in retirement	42%
Not worried at all about your income in retirement	39%
Don't know	5%
Net % Worried	18%

Base=76. Source: ASR Ltd, TNS

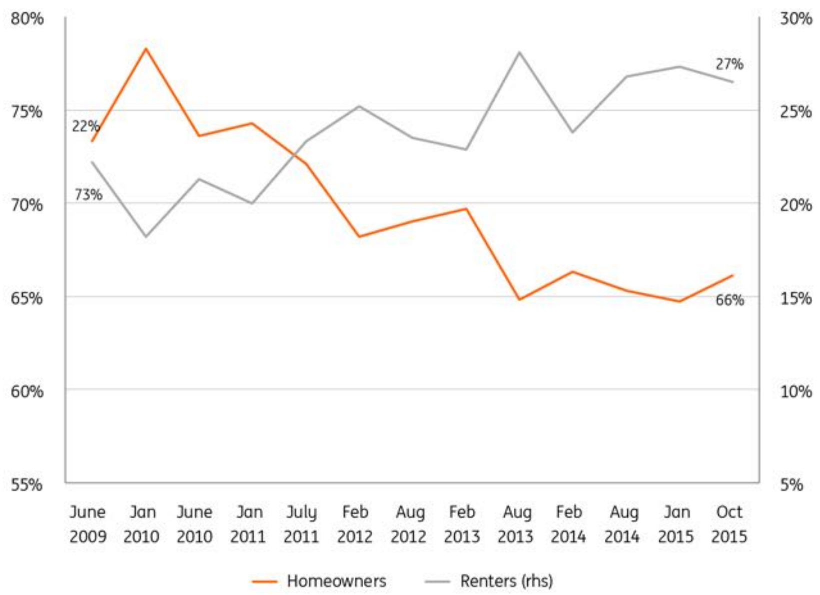
6. Housing – past its best

One of the bright spots in the survey is the outlook for the housing market.

Two thirds of our panel own their home. It is probably the most valuable asset they own, so swings in house prices are tremendously important. The good news is that recovery in house prices has had a dramatic impact over the past four years. In July 2011, a net 34% thought that their house was worth more than they paid for it; by October 2015 that net balance had risen to 62%. Similarly there was a similar improvement in the number reporting that their house was worth more than their mortgage. A net 40% reported that prices were higher than a year ago, while a net 38% thought that house prices would be higher a year from now. Back in June 2009, a net 73% thought it was a good time to buy a house; six years later and the net balance is still positive – but down to 11%.

Since June 2009, the percentage of the panellists that rent has risen from 22% to 27%, while the percentage that own their own home has fallen from 73% to 66%

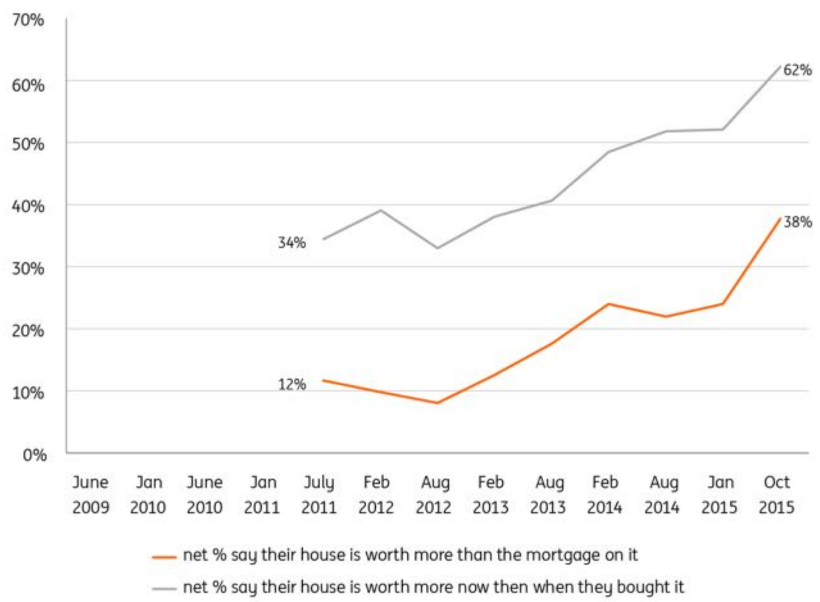
Chart 30: Housing tenure



Base=1,041. Source: ASR Ltd, TNS

The recovery in house prices over the past three years appears to have transformed household balance sheets. More people are sitting on unrealised capital gains and fewer people are stuck with negative equity (where their home is worth less than their mortgage)

Chart 31: House and Mortgage value



Base=679 (homeowners); 427 (those with mortgage). Source: ASR Ltd, TNS

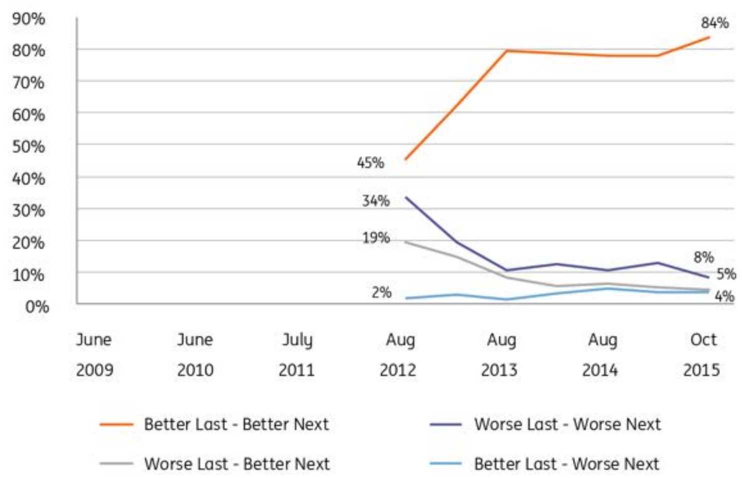
A net 40% think that house prices have risen over the past year, and a net 38% expect house prices to be higher over the coming year

Chart 32: House Prices

Base=1,041. Source: ASR Ltd, TNS

84% of the panel have seen higher prices over the past 12 months AND expect higher prices a year from now. This optimism has almost doubled in a little over three years.

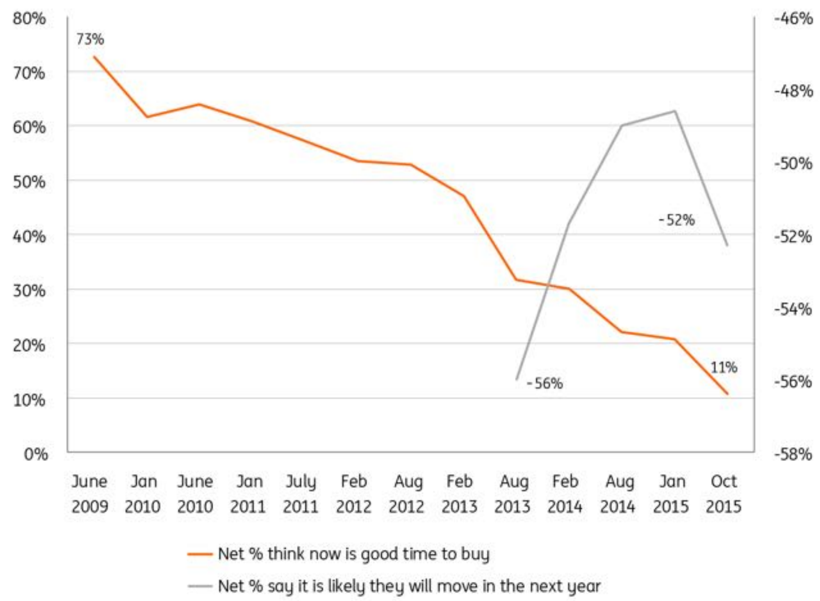
Chart 33: Perception of house prices – now vs next year



Base=1,041. Source: ASR Ltd, TNS

A net 11% still think it is a good time to buy a house – although this figure has declined dramatically over the past six years. A net 52% say it is unlikely that they will move in the coming year.

Chart 34: Is now a good time to buy, to sell or to move?



Base=1,041. Source: ASR Ltd, TNS

7. Inequality –getting worse

One of the most powerful aspects of this report is that we are able to generate some hard metrics around perceptions of inequality.

One of the most powerful aspects of this report is that we are able to create some hard metrics around the topic of inequality. We have framed the issue first by asking panellists whether the difference in incomes between rich and poor has increased over the past five years, and whether the gap is currently too large. In the past four waves the results have been consistent and unequivocal: 60% believe the gap has increased and 61% believe the gap is too large. Just under half the panel hold both statements to be true. We also compared people's views on inequality with where they stood personally. People that believe the income gap between rich and poor is too wide tend to perceive themselves as having below average incomes and wealth - relative to those that do not regard the income gap as a problem.

Table 35: Overview of Income Inequality

	Feb 2014	Aug 2014	Jan 2015	Oct 2015
Over the last five years, do you think the difference in incomes between the rich and poor have…				
Increased	61%	60%	57%	60%
Decreased	8%	8%	7%	7%
Stayed about the same	21%	22%	24%	22%
Don't know	10%	10%	13%	12%
Net % Say Increased	53%	52%	50%	53%
Do you think the differences in income between rich and poor have become too large?				
Yes	61%	62%	62%	61%
No	19%	17%	19%	19%
Don't know	20%	21%	19%	20%
Net % Say Too Large	42%	44%	44%	42%

Base=1,041. Source: ASR Ltd, TNS

"Do you think the difference in incomes between the rich and the poor have increased/decreased over the past five years?"

Do you think the difference in incomes between rich and poor have become too large?

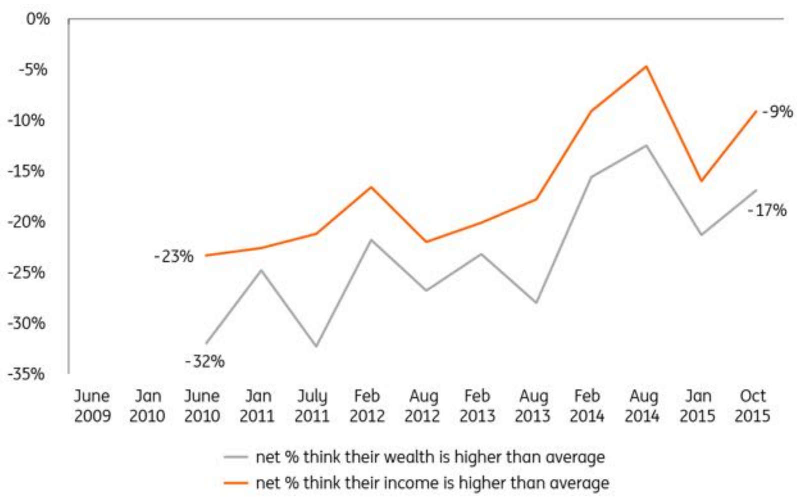
Table 36: Inequality Cross Break

Over the last five years, do you think the difference in incomes between the rich and poor have...		Do you think the differences in income between rich and poor have become too large? Yes	No	Don't Know
	Total %	**62%**	**19%**	**19%**
Increased	**60%**	48%	7%	5%
Decreased	**7%**	4%	2%	1%
Stayed about the same	**22%**	8%	9%	4%
Don't know	**12%**	2%	1%	8%

Base=1,041 Source: ASR Ltd, TNS

As well as asking general perceptions about income inequality, we also asked people how they thought their income and wealth compared with the average

Chart 37: Do you think your income / wealth is higher or lower than average?



Base=1,041. Source: ASR Ltd, TNS

People that think income differences are not too large also tend to believe that their income is higher than average

Table 38: Inequality as a Problem and Wealth Assessment

Do you think your income is higher or lower than average?	All Responses	% Think Inequality is Too Large	% Think Inequality is Not Too Large
A lot higher	5%	5%	7%
A little higher	23%	22%	34%
The same	28%	25%	28%
A little lower	17%	18%	19%
A lot lower	20%	25%	9%
Don't know	8%	5%	3%
A lot or a little higher	*28%*	*27%*	*41%*
A lot or a little lower	*37%*	*43%*	*28%*
Net % Think Higher	-9%	-16%	13%

A similar picture emerges when you compare concern about income inequality with how people perceive their wealth.

Thinking now about everything you own (including all your savings, investments and real estate), do you think you are more or less wealthy than average?	All Responses	% Think Inequality is Too Large	% Think Inequality is Not Too Large
A lot more	4%	3%	4%
A little more	21%	23%	26%
The same	25%	22%	33%
A little less	17%	19%	14%
A lot less	24%	28%	18%
Don't know	9%	6%	5%
A lot or a little more	*24%*	*26%*	*30%*
A lot or a little less	*41%*	*46%*	*32%*
Net % Think More Wealthy	-17%	-21%	-1%

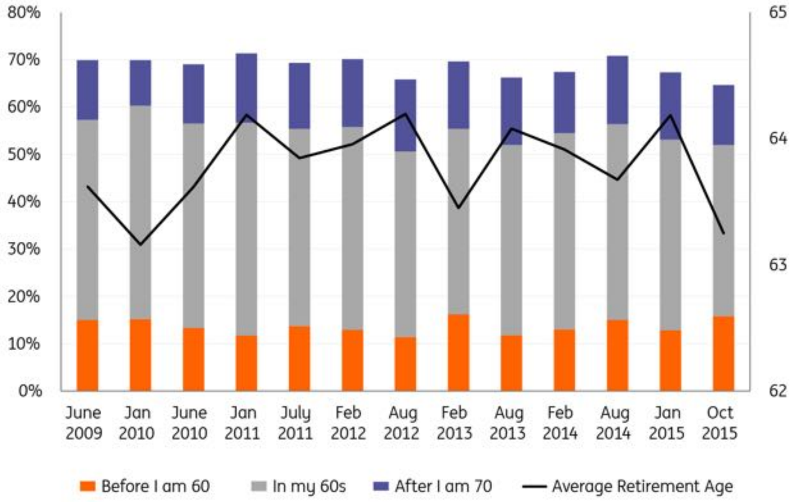
Base=1,041 Source: ASR Ltd, TNS

8. Retirement – When I'm 64…

One of the persistent surprises in the survey is the stability of Americans' retirement intentions. Of those that have not yet retired, the majority intend to retire in their sixties, with a persistent percentage hopeful that they will retire in their fifties. If you weight the different responses, you can estimate the intended retirement age at around 64. A net 23% of our panel say that they have saved SOME money for their retirement, but the net balance that say they have saved ENOUGH is still a negative reading. Those that have not saved any money appear not to have enough income to start saving for retirement. In terms of how best to save for your retirement, cash is slightly more favoured than other asset classes – but what never fails to shock is just how many people do not know the most appropriate way to save for retirement.

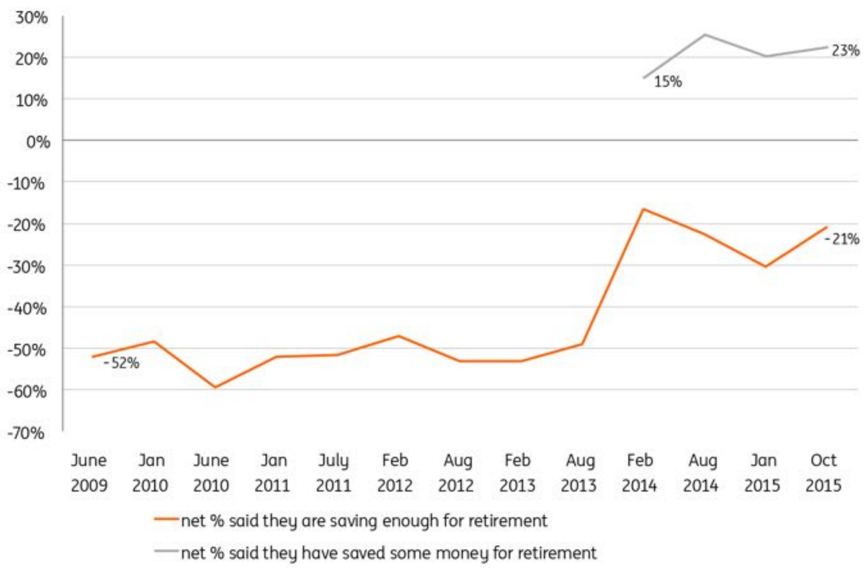
It is only an estimation but we continue to be surprised by the stability of the expected retirement age, despite the rise in longevity.

Chart 39: At what age are you planning to retire?



Base=942. Source: ASR Ltd, TNS

Chart 40: Are you saving / have you saved enough for retirement?



Base=668. Source: ASR Ltd, TNS

Unsurprisingly, of the 37% of our panel that have not saved any money for retirement the main reason is that in many cases they do not have enough income to start saving for retirement

Table 41: What do you think is the main reason why you haven't saved any money for retirement?

	Jan 2015	Oct 2015
I don't have enough income to start saving for retirement	67%	63%
I am too young to start thinking about retirement – it's too far away	4%	4%
I expect to rely on Social Security for retirement income	5%	9%
I expect to receive a good company pension	2%	2%
I expect to receive an inheritance	1%	1%
None of the above	13%	15%
Don't know	8%	6%

Base=373. Source: ASR Ltd, TNS

Cash is the preferred asset class – but only just. What is striking is the high level of "Don't Knows"

Table 42: Do you think making long-term investments in the following are good ways to save for your retirement?

	Feb 2014	Aug 2014	Jan 2015	Oct 2015
Cash				
Yes			43%	45%
No			38%	35%
Don't Know			20%	20%
Net % Say Yes			*5%*	*10%*
US Govt Bonds				
Yes			35%	30%
No			34%	36%
Don't Know			31%	34%
Net % Say Yes			*1%*	*-6%*
US Stock Market				
Yes	37%	36%	37%	35%
No	36%	35%	34%	37%
Don't Know	28%	29%	28%	28%
Net % Say Yes	*2%*	*1%*	*3%*	*-1%*
US Real Estate				
Yes			33%	34%
No			37%	37%
Don't Know			30%	29%
Net % Say Yes			*-4%*	*-3%*
Gold				
Yes			36%	34%
No			30%	32%
Don't Know			34%	34%
Net % Say Yes			*6%*	*2%*

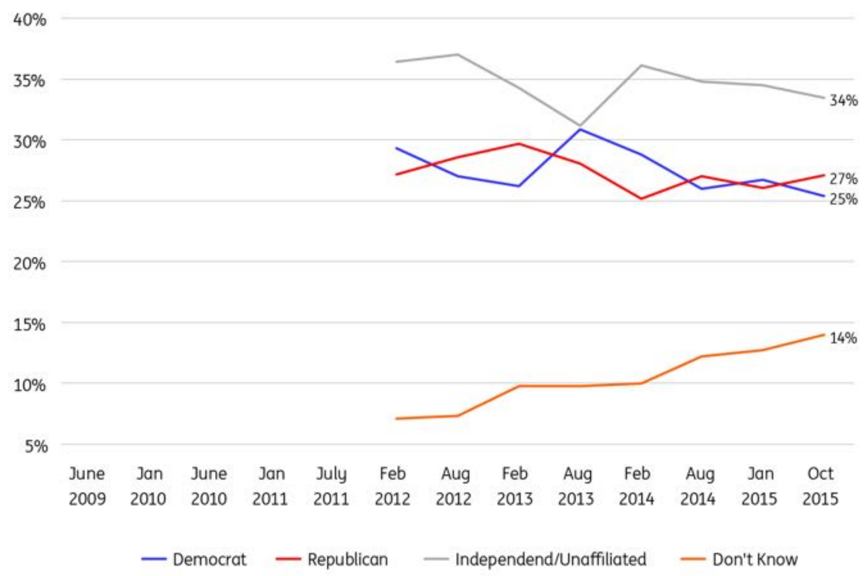
Base=1,041. Source: ASR Ltd, TNS

With the 2016 election cycle well underway, it seems a useful exercise to benchmark the financial and behavioural characteristics of these three major political groupings

9. Politics – rising disengagement

Independents have always occupied a large proportion of our respondents – the lowest percentage recorded was in the August 2013 survey, when an equal number (31%) identified as Democrats and as Independents. What seems striking this time is the rise of the "disengaged" voter; the respondent who says they "don't know" if they would consider themselves affiliated with Democrats, Republicans, or even Independents! This percentage has doubled in three and a half years, and although only standing at 14%, that's about half as many as those saying they are Democrat.

Chart 43: Which of the following best describes your political affiliation?



Base=1,041. Source: ASR Ltd, TNS

So, with the 2016 election cycle well underway, it seems a useful exercise to benchmark the financial and behavioural characteristics of these three major political groupings. Although it seems that this election cycle is off to an atypical start, and it's always important not to underestimate the role of social issues in U.S. elections, a key theme of nearly all elections is "it's the economy, stupid". And our survey suggests that when it comes to the economy, Democrats are in a category on their own.

Democrats tend to be more positive on the economy than Republicans or Independents

Democrats tend to be more positive on the economy than Republicans or Independents; they are more likely to think economic conditions have improved, and are more likely than others to think the US economy has grown over the last year (although even here, 18% of Democrats say the U.S. economy is in a "recession"). They're also more likely to give economic policymakers the benefit of the doubt, with 27% saying they've done a "good job" compared to only 12% of Republicans.

And there are a few characteristics where Republicans really stand out from Democrats and from Independents – they have a much higher appetite for financial risk, and are much less likely to rate government debt as safe.

Table 44: Economic Assessment by Political Affiliation

% Saying…	Dem.	Rep.	Ind.
U.S. Economic Conditions Have Improved	19%	-26%	-7%
The U.S. Economy Has Grown	-7%	-45%	-39%
Economic Policymakers have done a poor job over the last year	37%	69%	59%
U.S. Stocks Will Rise in the Coming Year (net %)	14%	-6%	-2%
House prices will rise over the next year (net)	47%	36%	41%

Base=1,041. Source: ASR Ltd, TNS

It's not just on the wider economy, but even when on personal finances Democrats tend to be more positive.

Table 45: Personal Finance Assessment by Political Affiliation

Net % Saying…	Dem.	Rep.	Ind.
Will be better off in a year's time	33%	15%	14%
Better off than a year ago	11%	-5%	4%
Higher personal income than 12m ago	23%	5%	11%
Will have higher personal income next year	25%	13%	11%

Base=1,041. Source: ASR Ltd, TNS

Another set of issues where differences become clear is on debt – here, Democrats are much more likely to think their own debt levels are too high and are less likely to think it's easy to get a loan. Democrats are less likely to have a mortgage, and more likely to have student debt.

Table 46: Issues of Debt

% Saying…	Dem.	Rep.	Ind.
Their debt levels are too high relative to income	56%	36%	39%
It's fairly easy to get a loan	36%	46%	37%
Rates are currently too high	22%	14%	19%
Have a mortgage	40%	55%	37%
Have student loans	36%	26%	30%
Inequality has increased	71%	56%	63%
Inequality is too large	80%	49%	71%

Base=1,041. Source: ASR Ltd, TNS

10. Student Debt – a worry

One of the key questions around student debt is whether or not it affects consumption and household formation patterns. Our additional analysis in this section is to identify any significant markers in the group that has student debt.

Over the third quarter of 2015, outstanding balances on student loans increased $13bn to $1.2trn; the highest in absolute dollar amounts since Federal Reserve data began in 2003. Student loan debt now accounts for 10% of all credit debt outstanding – second only to mortgage debt, and more than auto loans and credit card debt.

One of the key questions around student debt is whether or not it affects consumption and household formation patterns. Our additional analysis in this section is to identify any significant markers in the group that has student debt.

Of all survey respondents, 30% report having student debt, with an average balance of around $25,000. In this section, we've looked at two groups of respondents: both are in the age bracket 25-44, but one group has student debt and one is without. Although the sample size is small (around 140 individuals in each group), we have focused only on where the differences between the two groups are statistically significant.

Table 47: Do you have any educational loans / student loans outstanding (this can include loans for your own education or those you have for your children or dependents)?

	Aug 2014	Jan 2015	Oct 2015
No	64%	68%	67%
Yes:	33%	29%	30%
Less than $10,000	*9%*	*8%*	*8%*
Between $10,000-$25,000	*12%*	*9%*	*9%*
Between $25,000-$50,000	*7%*	*7%*	*8%*
More than $50,000	*5%*	*5%*	*5%*
Prefer not to say	3%	4%	3%
Net % Have Student Loans Oustanding	-30%	-39%	-37%
Average $ Student Debt Balance	$24,454	$26,591	$25,625

Base=690. Source: ASR Ltd, TNS

We find the presence of student loans are associated with many positive characteristics. Those with student loans are more likely to think their financial situation in general and their own personal income will be better or higher over the coming year, and they are also more likely to feel more secure in their job. They are more likely to have saved some money for retirement, and are more likely to believe the U.S. economy has grown over the last year, rather than stayed the same or contracted.

However, there are some concerning attributes. Those with student loans are much more likely to worry about their financial situation, and are much more likely to be spending more than they earn. The psychological impact of student debt seems clear when we see that those with loans are much more likely to think their debt burden is too high relative to their income – even though they are actually less likely to report difficulty servicing that debt.

One of the most intriguing differences is that those with student loans tend to have a higher appetite for risk. On balance, 33% of those with debt are willing to take risks with savings and investments, compared to 16% of those without debt. Student loans are in many ways one of the less risky debts out there – not only because many are government backed, and many offer forbearances – but because they're also a debt for investment in human capital rather than debt for consumption. Yet this relationship seems to suggest that willingness to take on loans may be a marker for risk.

Although those with student loans report a higher risk appetite, they are not likely to assess the risk of assets differently than others. On the safety of U.S. government bonds, U.S. equities, gold and cash in a bank, they are in line with the overall panel. The one exception is housing: where 70% think housing is a risky investment compared to only 56% of those without student debt. This suggests housing is one area where student debt may have prompted a rethink.

11. Demographics

Table 48: What is your household income?

	Aug 2014	Jan 2015	Oct 2015
Less than $30,000	19%	19%	19%
$30,000 - $39,999	10%	11%	11%
$40,000 - $49,999	9%	8%	8%
$50,000 - $59,999	8%	7%	9%
$60,000 - $69,999	6%	7%	6%
$70,000-$75,000	7%	7%	6%
Greater than $75,000+	42%	42%	42%

Base=1,041. Source: ASR Ltd, TNS

Table 49: Thinking now about the total value of your personal/ individual savings and investments, would you say that the total amount is worth more or less than USD 10K?

	Aug 2014	Jan 2015	Oct 2015
Less than $10,000	40%	40%	36%
$10,000 - $25,000			11%
$25,000 - $50,000			8%
$50,000 - $100,000	40%	41%	9%
$100,000 - $250,000			9%
$250,000 - $500,000			6%
$500,000 or more			4%
Don't know	9%	8%	9%
Prefer not to say	1%	2%	9%

Base=1,041. Source: ASR Ltd, TNS

Table 50: Which savings and investments do you currently own?

	Jul 2011	Oct 2015
401k or IRA accounts	51%	47%
Bank savings account or CDs	42%	40%
None of these listed	28%	33%
Individual stocks or bonds	*31%*	*29%*
Individual stocks	22%	20%
Money market mutual funds	20%	18%
Bonds (municipal or government bonds, corporate bonds)	10%	9%
Equity mutual funds	9%	9%
Bond mutual funds	7%	7%
Real estate (other than your own home)	8%	7%
Gold (e.g. gold bullion, gold ETFs, gold mining companies)	4%	4%
ETFs (Exchange Traded Funds)	2%	3%

Base=1,041. Source: ASR Ltd, TNS

Table 51: Personal Demographics (1,041 Respondents)

	Oct 2015
Age	
25-34	21%
35-44	26%
45-54	28%
55-65	25%
Gender	
Male	47%
Female	53%
Working Status	
Employed by a small company (less than 250 employees)	21%
Employed by a medium or large business (more than 250 employees)	24%
Employed in the public sector (e.g., government, military, government funded health or education)	10%
Not employed and not seeking work (e.g., stay at home parent/looking after the home/unable to work)	22%
Self employed	7%
Retired	9%
Further education/student	2%
Unemployed (seeking work)	6%
Historical – any employed	55%
Terminal age of education	
20+	55%
Others	45%
Level of Education Attained	
High school degree or less	38%
Some college - no degree	19%
Associate's degree	10%
Bachelor's degree	22%
Post-graduate degree	12%
Regions	
New England / Mideast	18%
Great Lakes	16%
Plains / Mountain	14%
South Atlantic	20%
South Central	17%
Far West	15%

Source: ASR Ltd, TNS

Survey Methodology

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 October 21 and November 2, 2015, 1,041 adults aged between 25 and 65 and living in the US were surveyed about their spending and saving habits. This survey is the seventh wave in a series of surveys about consumer finances, spending, savings and investment behaviour. Table 51 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. Five 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 panellist profiles. These partnerships enable them to target-recruit hard-to-reach source groups when required. Panellists 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 panellist 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.

Panellist lifecycle: Lightspeed closely monitor the life of each panellist 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. Panellists 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%.

Disclaimer

The final text was completed on 10 December 2015.