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High

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Jul. 22, 2015

Americans' personal financial satisfaction has hit a new post-recession high. An increase in job openings and a rise in home equity values coupled with continued reductions in loan delinquencies means that the financial outlook for the average American is the most positive it has been since the third quarter of 2007. That's according to the Q2 2015 *PFSi* ([Personal Financial Satisfaction Index](#)) released today by the [American Institute of CPAs](#) (AICPA).

The Q2 2015 *PFSi* index measured 15.0, representing a 1.9 point increase from the prior quarter and an 18.2 point increase from one year ago. Inflation, now registering at historically-low levels, was also a contributing factor in the *PFSi* increase from the previous quarter. In fact, the biggest cause for the increase year-over-year is the sharp reduction in the rate of inflation – driven in part by falling oil prices – which trickles down into the cost of many of the goods Americans consume.

In addition, the U.S. housing market is slowly returning to pre-recession levels. This is captured in the Personal Financial Pleasure Index as gains in real home equity per capita – which is largely the result of increases in the market value of homes, with many U.S. cities continuing their slow but steady rebound. Another large contributor to the rise in the *PFSi* is the PFS 750 Market Index. The index has set new highs in the past year, although it was lower this quarter than in the first quarter.

While the second quarter represents a post-recession high for the *PFSi*, the quarterly increase was the smallest in the past four quarters, and represents a slight slowing of

momentum.

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The driving factor in the rise of the *PFSi* is the reduction in the Personal Financial Pain Index by 1.6 points. The continued easing of Pain Index factors has driven increases in Americans' overall financial satisfaction, while the Pleasure Index largely held steady.

"The low inflation rate since the recession held back everything from mortgage rates to the price of a gallon of milk. With the Fed signaling that they are likely to raise interest rates before the end of the year, Americans should pay close attention, review their financial plans and consider their options. If increases in consumer prices aren't coupled with wage increases, Americans should be prepared to feel some financial pain," Fay added.

The *PFSi* weighs a variety of economic factors to calculate the financial standing of a typical American. It is the result of calculating the difference between the Personal Financial Pleasure Index and the Personal Financial Pain Index. The *PFSi*, calculated as the Personal Financial Pleasure Index minus the Personal Financial Pain Index represents the financial standing of a typical American, uses both proprietary and normalized official U.S. Government data.

Pleasure factors include the proprietary PFS 750 Market Index, comprised of the 750 largest companies by market capitalization trading on the U.S. markets, excluding ADRs, mutual funds and ETFs. The other components are the AICPA's CPA Outlook Index, Real Home Equity Per Capita and Job Openings Per Capita. Pain factors include inflation, personal taxes, loan delinquencies and underemployment.

Additional information on the *PFSi* can be found at: www.aicpa.org/PFSi.

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