COVID-19

# Survey Shows Americans' Financial Dissatisfaction

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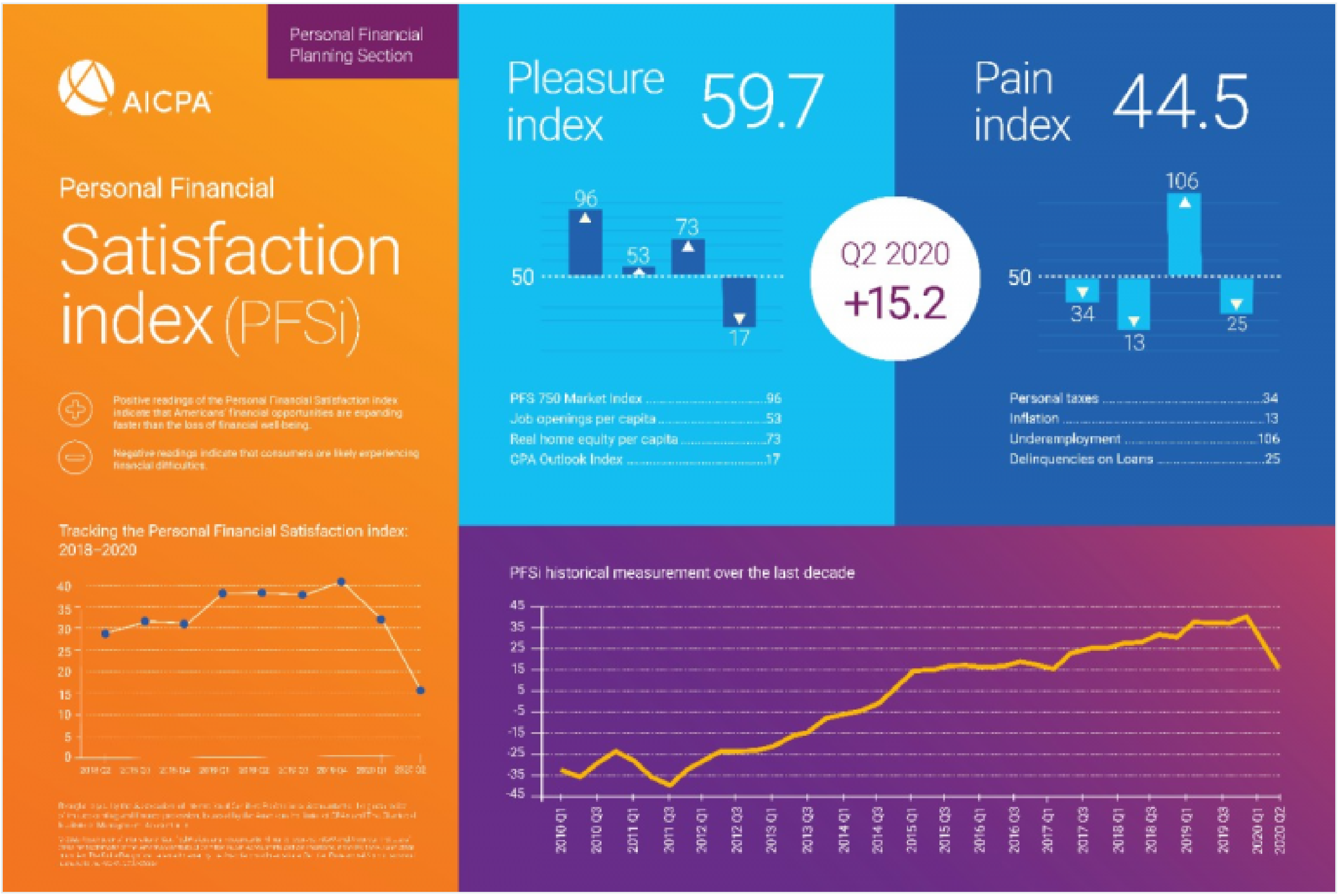

As Americans continue to endure the economic impact of the COVID-19 pandemic, financial satisfaction continues to fall from its recent all-time high. The AICPA's Q2 2020 Personal Financial Satisfaction index (*PFSi*) measures 15.2, a 55 percent (18.5 point) decrease from the previous quarter. This is the *PFSi*'s largest quarterly drop in the history of the index. The previous record decline was a 16.3-point drop in Q4 2007. The average Americans financial satisfaction is now similar to levels seen in early 2015.

**Historic Increase in Underemployment Drives Record Drop in Overall Satisfaction**

The primary factor driving the quarter-over-quarter *PFSi* decline was a 246 percent (75 point) increase in underemployment. Rising underemployment hurts overall financial satisfaction. This factor more than doubled from the prior quarter, surpassing its former peak set in Q4 2009 to reach a new record high. The Q2 level reflects data measured through the middle of June.

The second largest contributor to the *PFSi* decline from the previous quarter was the AICPA's CPA Outlook Index, which experienced a 68 percent (35 point) drop. The CPA Outlook Index captures the expectations of CPA executives in the year ahead for their companies and the U.S. economy. It is the only index factor that is calculated from sentiment, which was captured in a survey conducted from May 5 to 27. Its decrease was primarily driven by a steep decline in optimism about the U.S. economy's outlook over the next 12 months. Also notably contributing to the *PFSi* decline was a 32 percent (25 point) drop in the job openings factor which uses Bureaus of Labor Statistics data that measures through April.

"Finding yourself unemployed or experiencing a sudden loss of income from your business warrants revisiting your financial plan immediately and updating your monthly budget," said Dave Stolz, CPA/PFS chair of the American Institute of CPAs' PFS Credential Committee. "It is essential to understand the available COVID-related government assistance such as business loans from the Paycheck Protection Program and federal unemployment benefits and incorporate them into a revised financial plan."

According to a separate survey of AICPA members— CPA financial planners have been busy helping clients make sense of the provisions in the newly passed Coronavirus Aid, Relief and Economic Security (CARES) Act. The vast majority of financial planners (90 percent) advised clients on Paycheck Protection Program (PPP) loans, and nearly eight-in-ten (79 percent) advised their clients on Economic Impact Payments – also known as "stimulus checks." And half of all respondents (50 percent) indicated that they had helped clients file for Federal Pandemic Unemployment Compensation.

**Despite Recent Turbulence, Market Index Near All-Time High**

Going into 2020, Americans were experiencing record high levels of personal financial satisfaction. Though the *PFSi* has experienced a record decline, its current value of 15.2 is still 55.5 points above its all-time low of -40.3 set in Q3 2011. Back then, Americans were still emerging from the lingering impact of the Great Recession.

In Q2, the PFS 750 Market index, an AICPA proprietary stock index comprised of the 750 largest companies trading on the US Market, bounced back from its depressed Q1 reading. The Market index increased 21 percent (16.8 points) above the prior quarter, regaining almost all the prior quarter's lost gains. It is now just shy of its recent all-time high set in Q4 2019.

"The stock market's recent rebound is a good reminder why it's important to resist the urge to time the market and instead remain focused on the long-term goals of your financial plan," added Stolz. "If you had exited the stock market after its Q1 decline, you would have missed out on all of Q2's big gains. The recent market fluctuation was a good gut check for risk tolerance and an opportunity for Americans to revisit their asset allocation."

In an emergency move meant to make borrowing as cheap as possible and help mitigate the economic impact of the COVID-19 pandemic, the Federal Reserve cut interest rates to near-zero. In terms of the *PFSi*, this caused the Q2 inflation index to decline 69 percent (30 points) from the Q1 2020 level. Inflation is the most volatile factor contributing to the PFSi, and with absolute levels so low, small changes result in large percent changes. Note, the Q2 index relies on the Fed's May level.

**What Is the *PFSi* & How Is It Calculated?**

The *PFSi* is a quarterly economic gauge that measures the personal financial standing of a typical American. The index is calculated as the Personal Financial Pleasure Index (Pleasure Index) minus the Personal Financial Pain Index (Pain Index). These sub-indexes are each composed of four equally weighted proprietary and public economic factors which measure the growth of assets and opportunities in the case of the Pleasure Index, and the erosion of assets and opportunities in the case of the Pain Index. A positive reading of the *PFSi* indicates that the average

American should be feeling more financial pleasure than pain and thus have an overall positive sense of financial satisfaction. Additional information on the *PFSi* can be found at: www.aicpa.org/*PFSi*.

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