



American Household Finances

Current and Future Prospects

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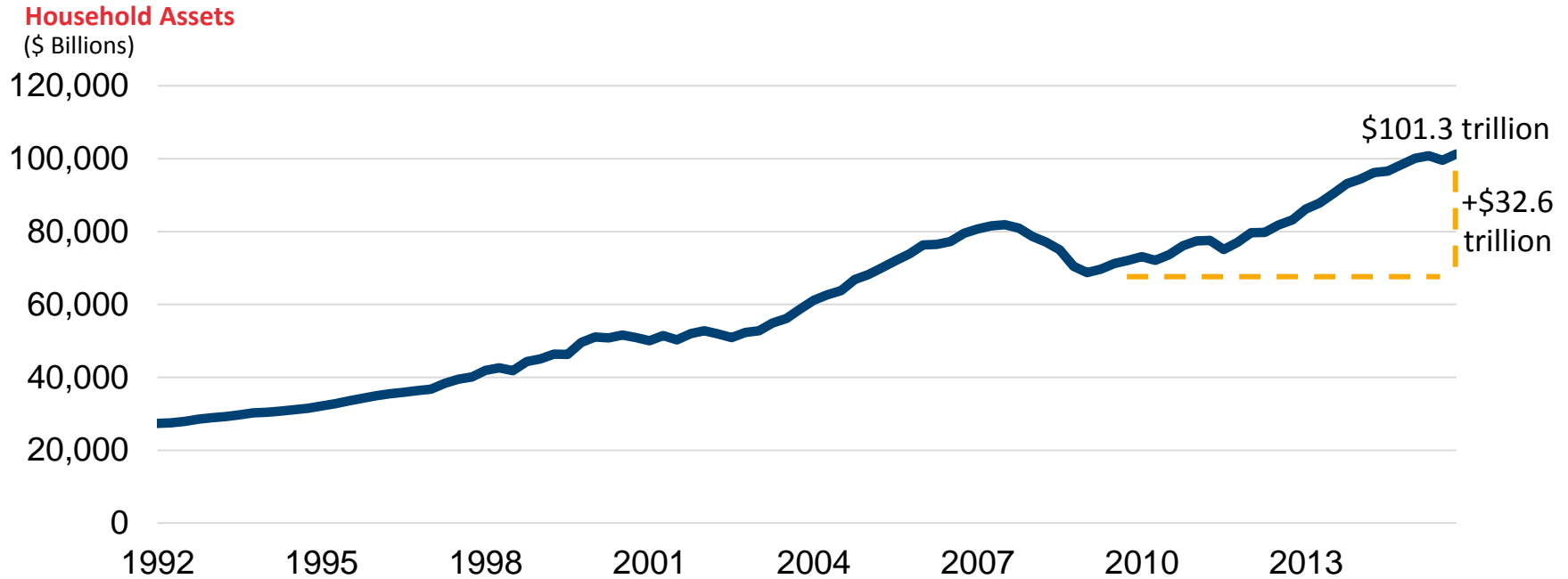
Agenda

- Household balance sheets
 - Current condition
 - Financial assets and housing
- Retirement prospects
 - Living on less
 - Working longer
- Consumer income statements
 - Near-term outlook
 - Wages
 - Education
 - Dual-income households
- Causes and Implications



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US Household Assets Are 24% Above the Pre-crisis Peak



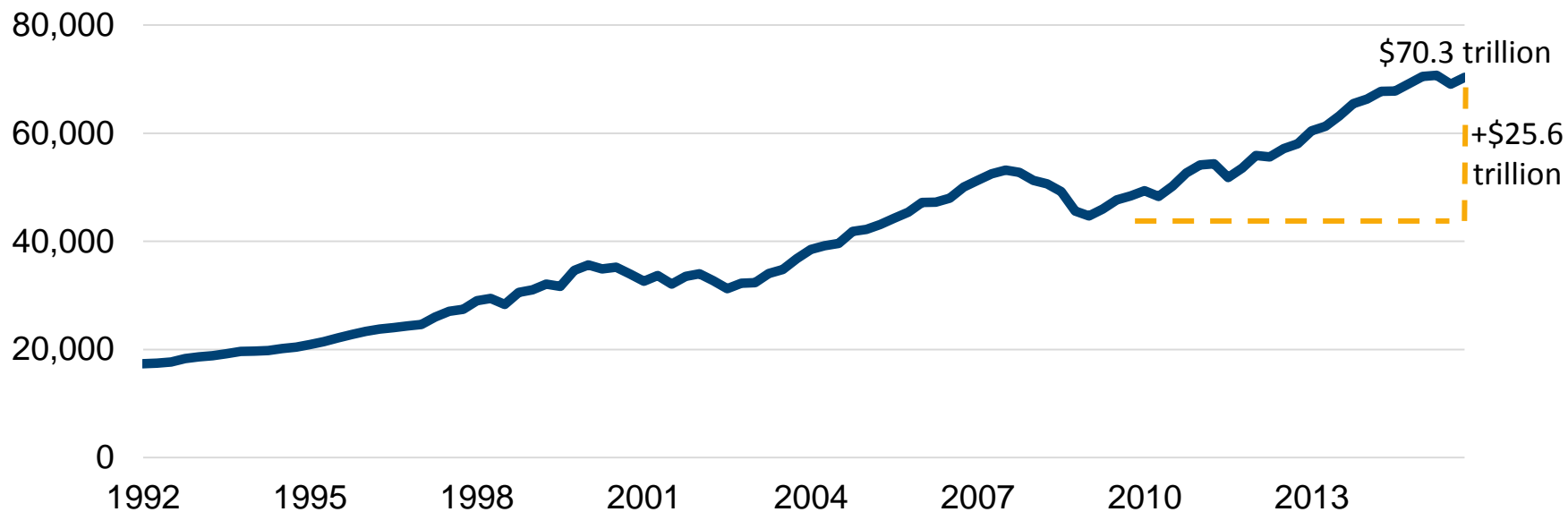


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Financial Assets Contributed 79% of the Asset Increase

Household Financial Assets

(\$ Billions)



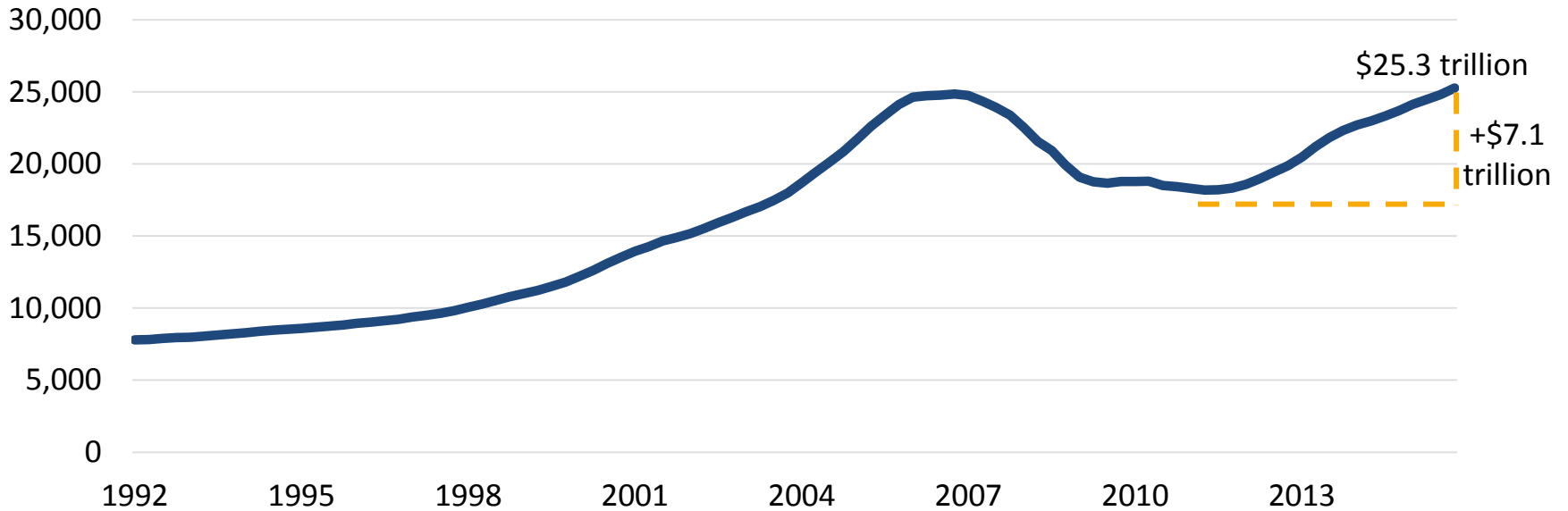


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Housing Contributed Over 20% of the Asset Increase

Household Real Estate Holdings

(\$ Billions)



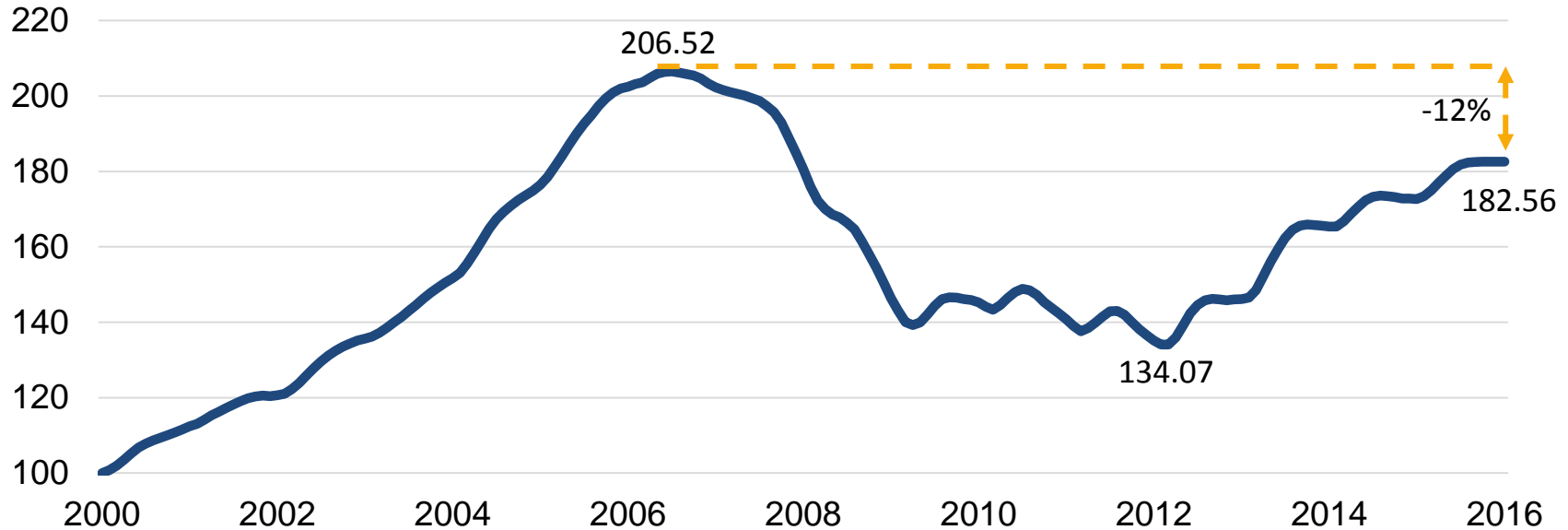


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US House Prices Have Recovered 67% of the Crisis Decline

S&P/Case-Shiller 20-City Composite Home Price Index

Index, January 2000 = 100



As of 29 March 2016

Data are not seasonally adjusted, latest index reading comprises home transactions from November 2015 to January 2016.

Source: Standard & Poor's, Haver Analytics



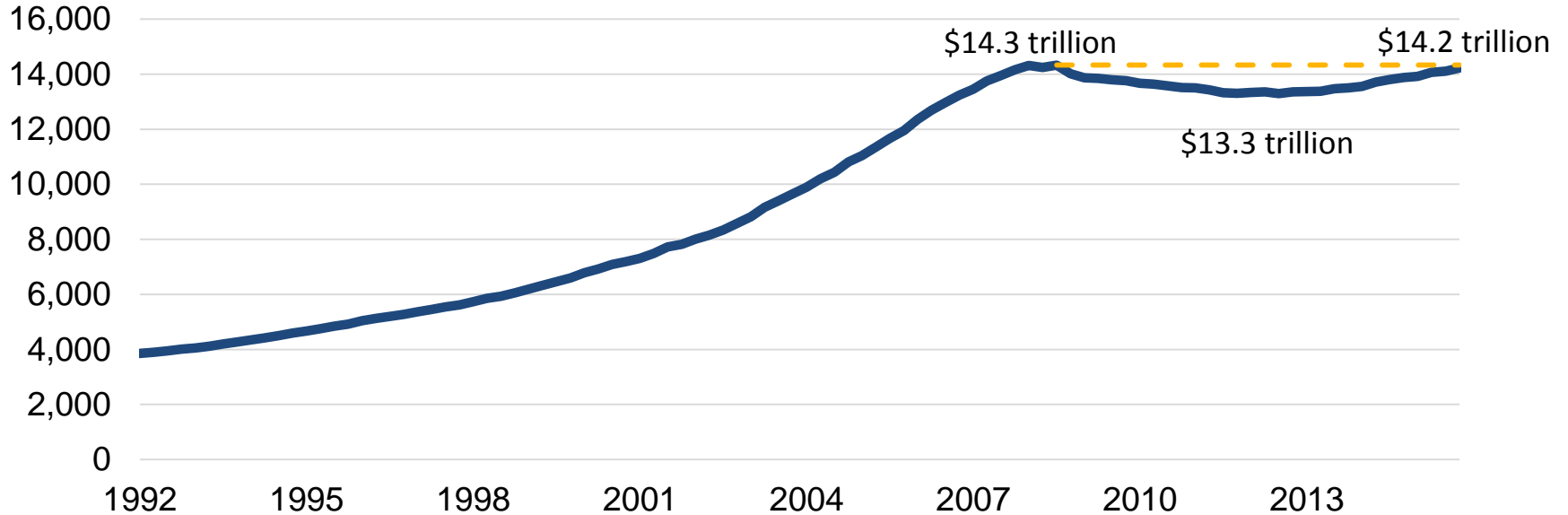


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US Household Debt Is Slightly Below Its Pre-crisis Peak

Household Debt

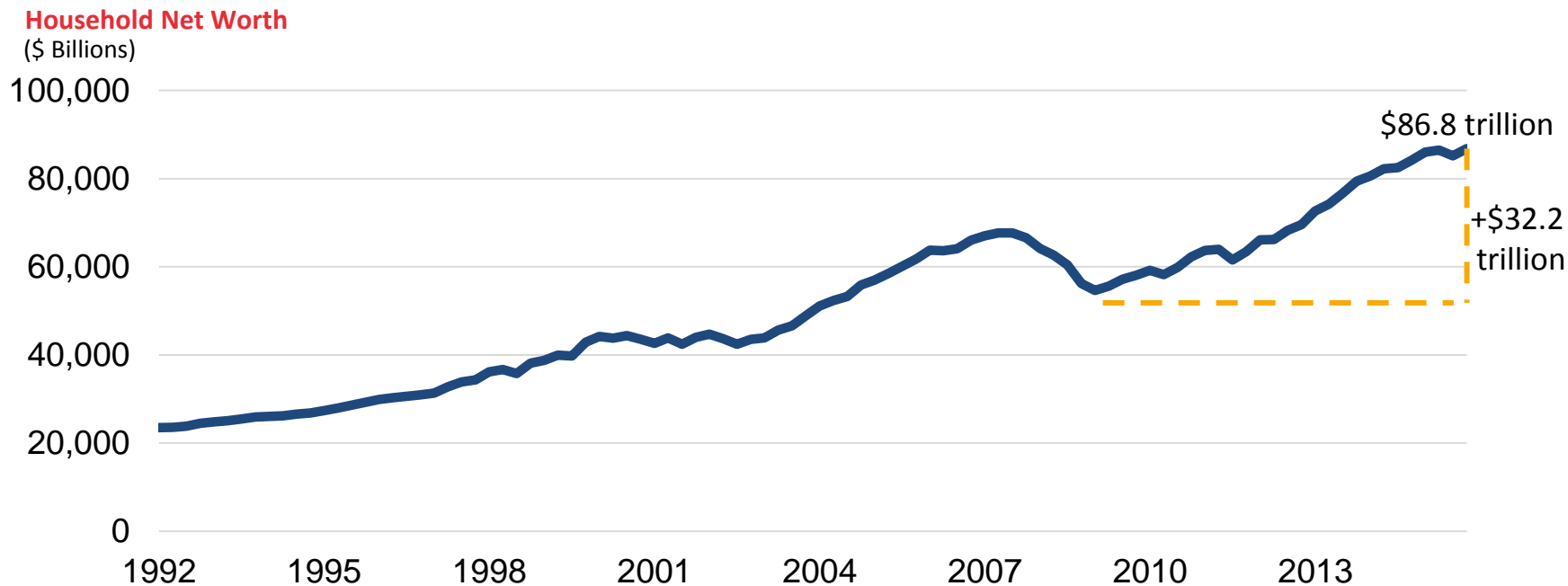
(\$ Billions)





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US Household Net Worth Is 28% Above the Pre-crisis Record



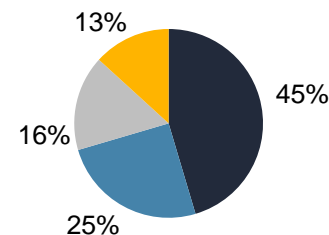
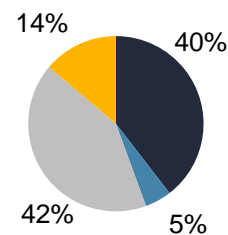
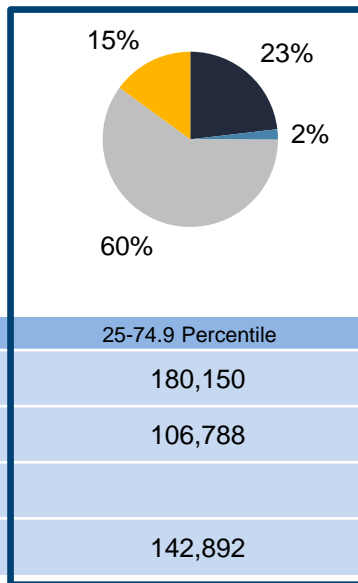
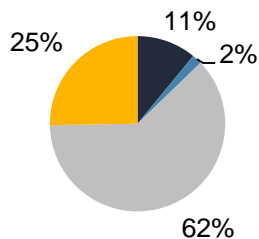


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Middle Class Wealth Is Driven by Housing

2013

- Financial Assets
- Business Assets
- Residential Assets
- Other Assets



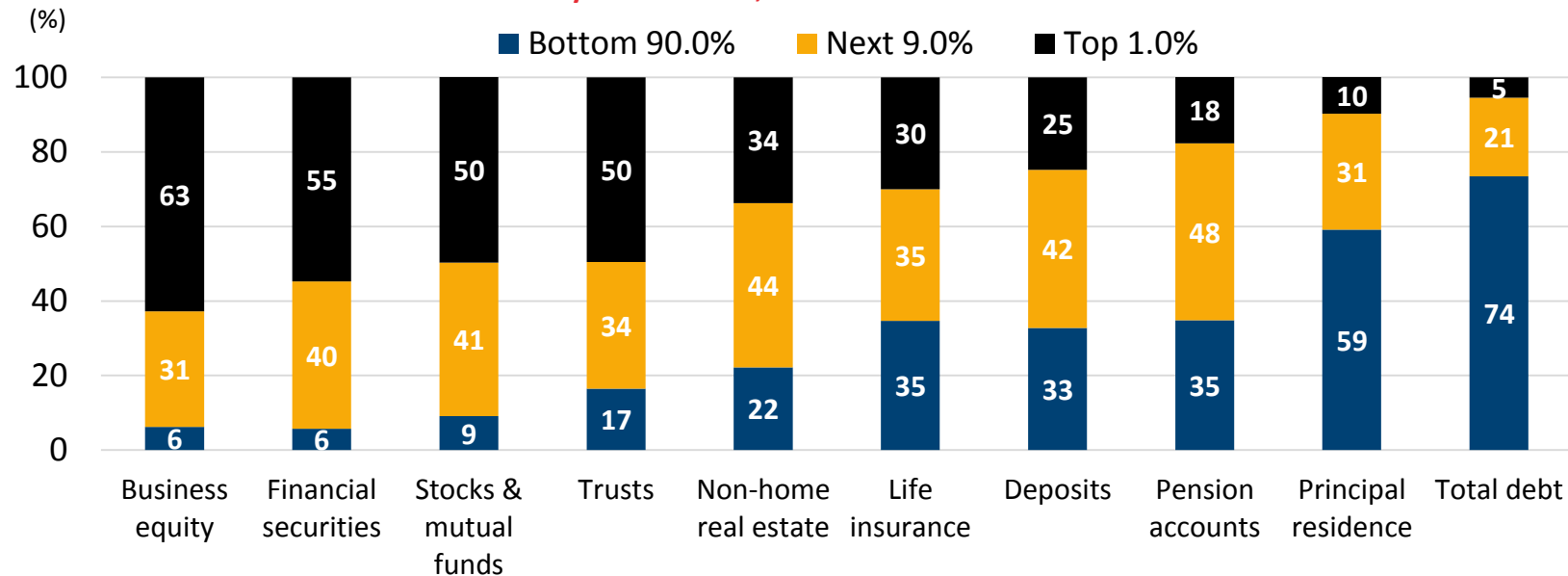
	< 25 Percentile	25-74.9 Percentile	75-89.9 Percentile	90-100 Percentile
Average Total Assets (\$)	35,710	180,150	667,900	4,264,500
2013 Avg Net Worth (\$)	-13,360	106,788	546,173	4,024,761
2007 Avg Net Worth (\$)	-2,186	142,892	588,623	3,985,832



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The Top 10% of Households Own 76% of Financial Assets

Percent of Total Assets & Liabilities Held by Wealth Class, 2013



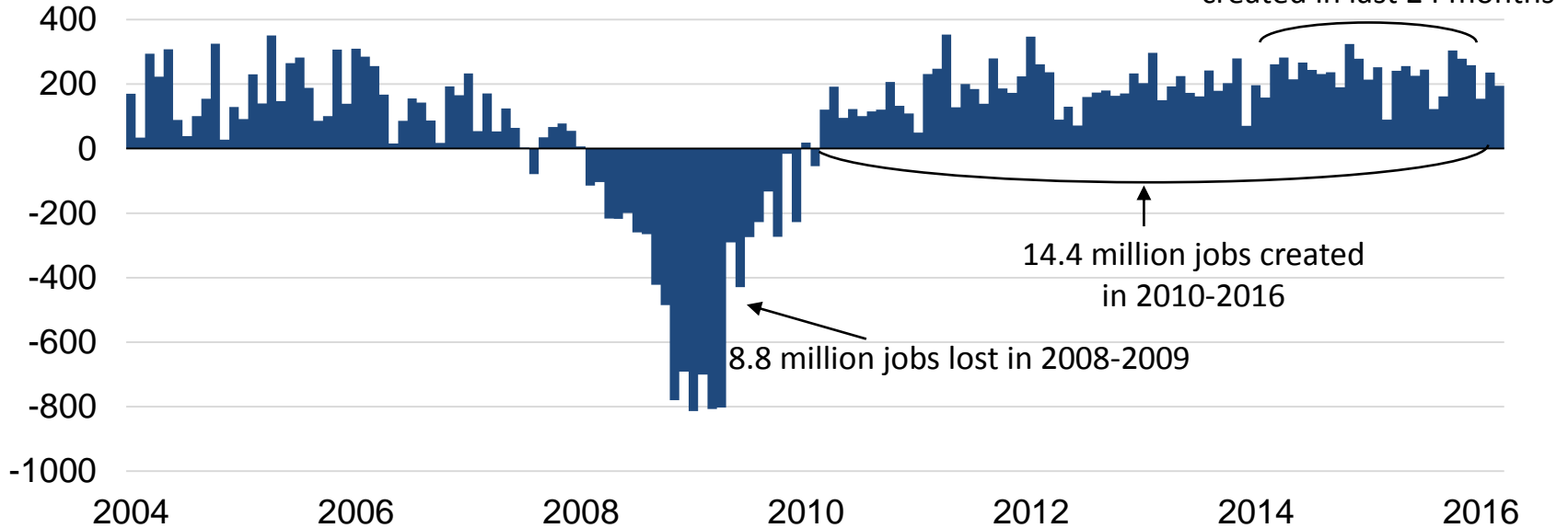


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Employment Growth Is Strong

Private Non-Farm Payroll, Job Gain/Loss

(Thousands)



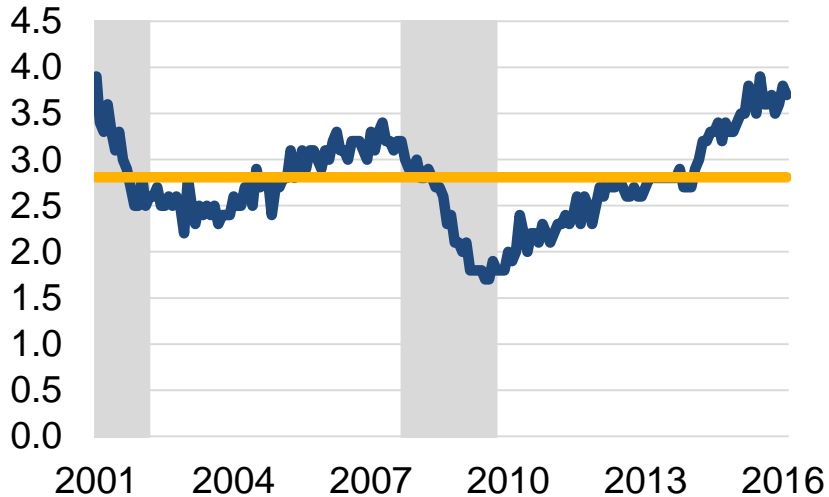


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There Are 5.4 Million Vacant Jobs in the US

Job Openings Rate

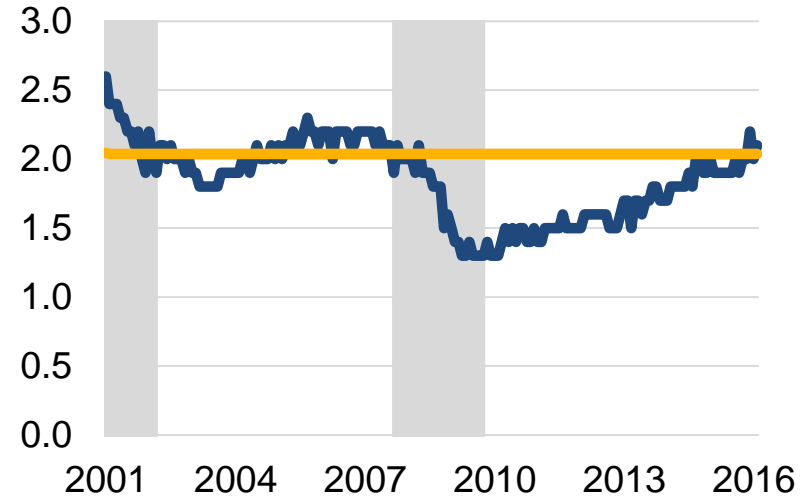
(%)



— Job Openings Rate — Pre-Recession Average

Quits Rate

(%)



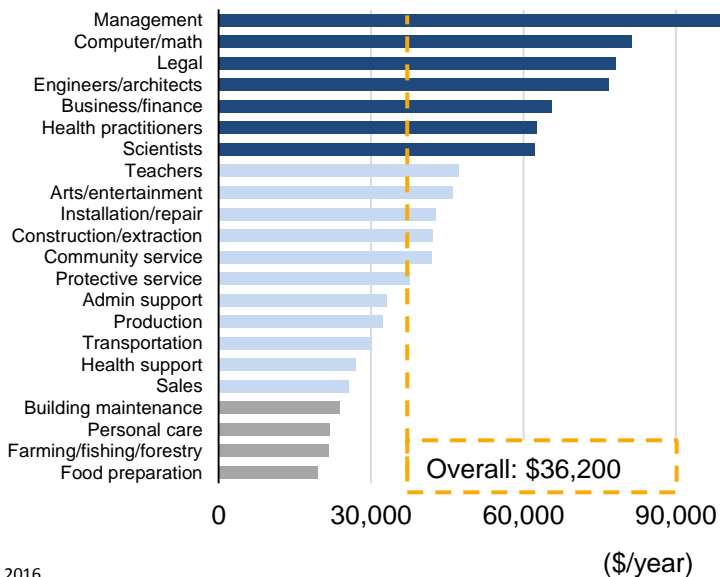
— Quits Rate — Pre-Recession Average



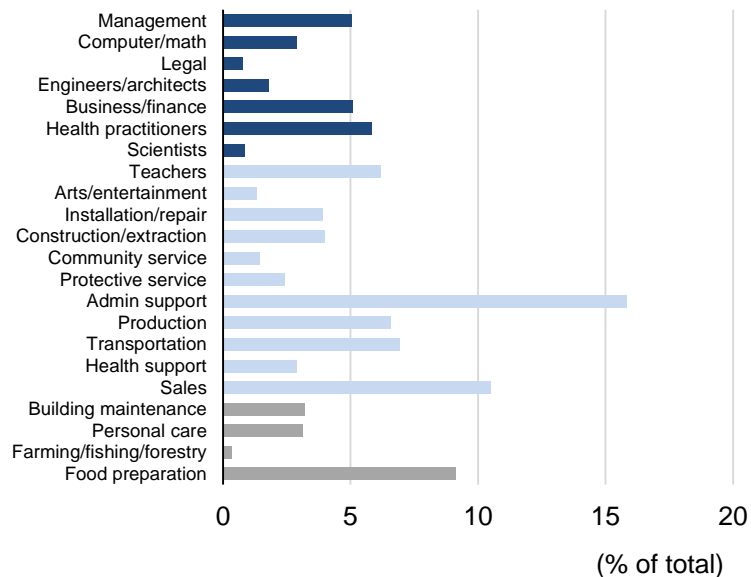
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US Occupational Landscape

Median Wage by Occupation, May 2015



Employment by Occupation, May 2015



As of March 2016

Wages are straight-time, gross pay exclusive of premium pay. Incentive pay such as commissions, production bonuses and tips are included. Overtime pay, nonproduction bonuses and employer cost for supplementary benefits are excluded. Annual median wages for low-wage occupations are less than two thirds of the overall annual median wage. These occupations account for 16% of total employment. Annual median wages for high-wage occupations are more than 150% of the overall annual median wage. These occupations account for 22% of total employment. The remaining occupations account for 62% of total employment.

Source: Oregon Office of Economic Analysis, Bureau of Labor Statistics, Haver Analytics

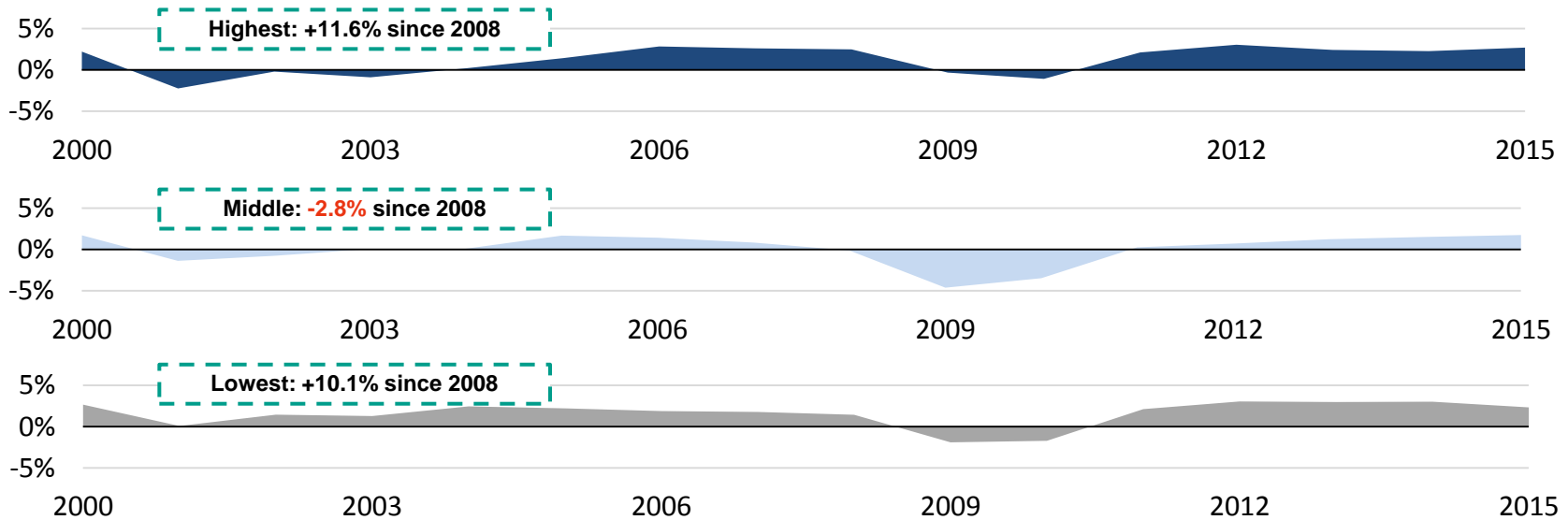




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Growth Has Been Strongest for High and Low Paying Jobs

Percent Change in Employment by Wage Group, Year-on-Year



As of March 2016

Wages are straight-time, gross pay exclusive of premium pay. Incentive pay such as commissions, production bonuses and tips are included. Overtime pay, nonproduction bonuses and employer cost for supplementary benefits are excluded. Annual median wages for low-wage occupations are less than two thirds of the overall annual median wage. These occupations account for 16% of total employment. Annual median wages for high-wage occupations are more than 150% of the overall annual median wage. These occupations account for 22% of total employment. The remaining occupations account for 62% of total employment.

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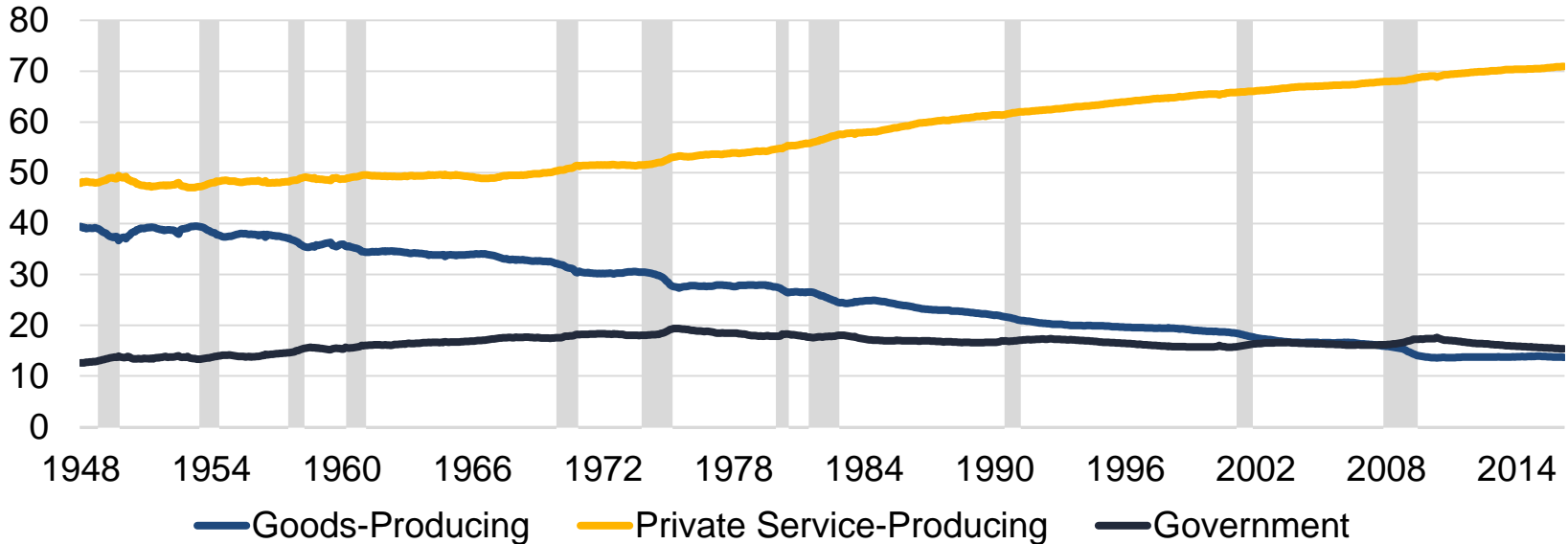


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Manufacturing Has Faded as a Ladder to the Middle Class

Share of Nonfarm Payrolls

(%)



As of March 2016

Goods-producing industries include mining & logging, construction and manufacturing.

Source: Bureau of Labor Statistics, US Census Bureau, Social Security Administration, Haver Analytics, Lazard



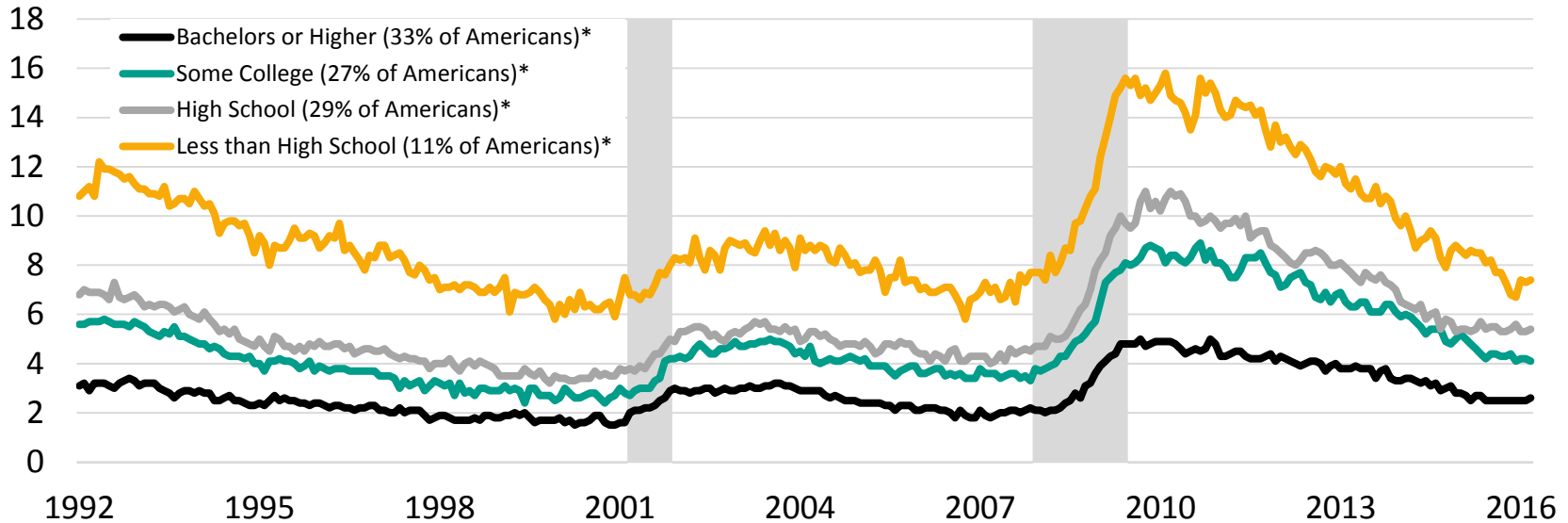


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Education Is Key to Employment

Unemployment Rates by Education

(%)



As of March 2016

* Share of civilian non-institutional population aged 25 or older.

Source: Bureau of Labor Statistics, Haver Analytics



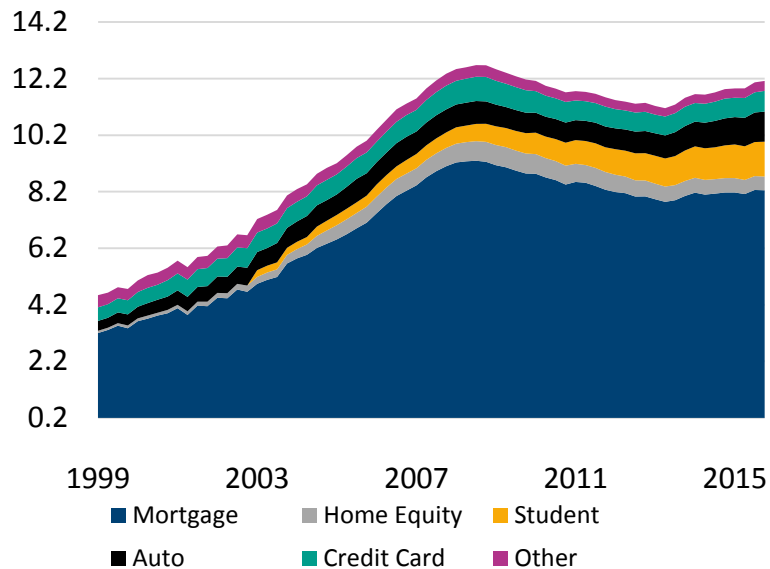


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Student Debt Is a Rising Burden

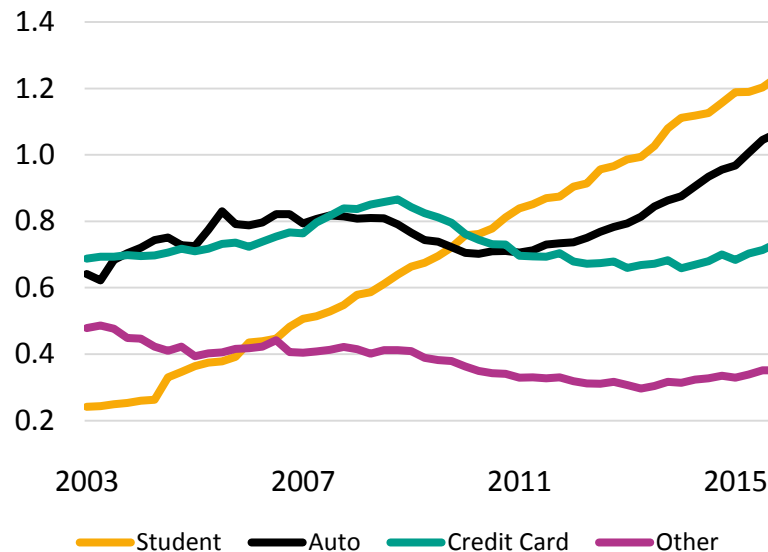
Total Household Debt by Type

(\$ trn)



Non-Mortgage Household Debt by Type

(\$ trn)



As of December 2015

Student loan data only available from 1Q 2003.

Source: Federal Reserve Bank of New York Consumer Credit Panel / Equifax, Haver Analytics



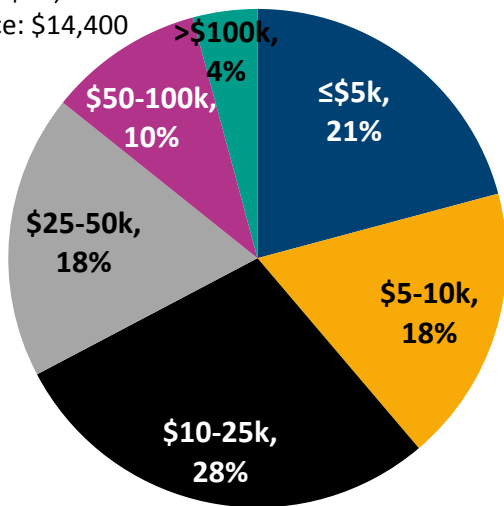


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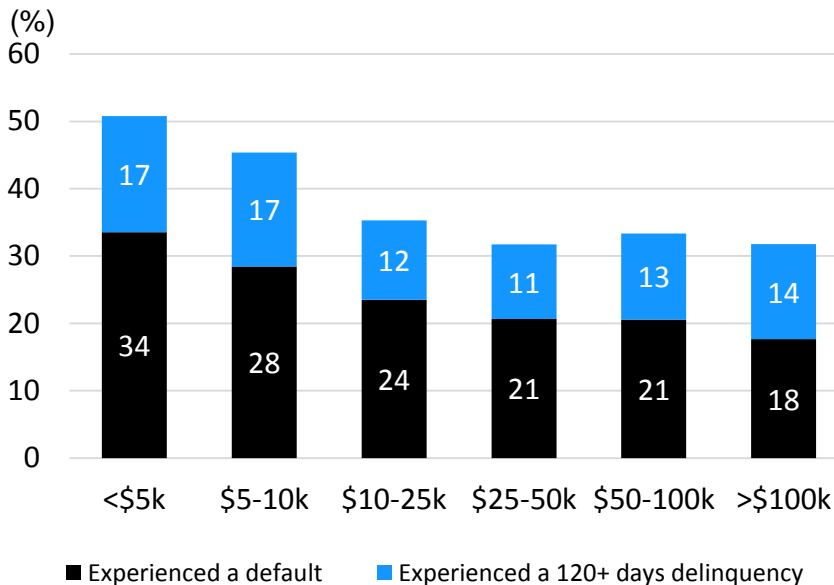
Student Debt Is a Rising Burden

Share of Borrowers by Balance as of 4Q 2014

43.3 million borrowers
Mean balance: \$26,700
Median balance: \$14,400



Delinquencies and Defaults by Exit Loan Balance for Class of 2009



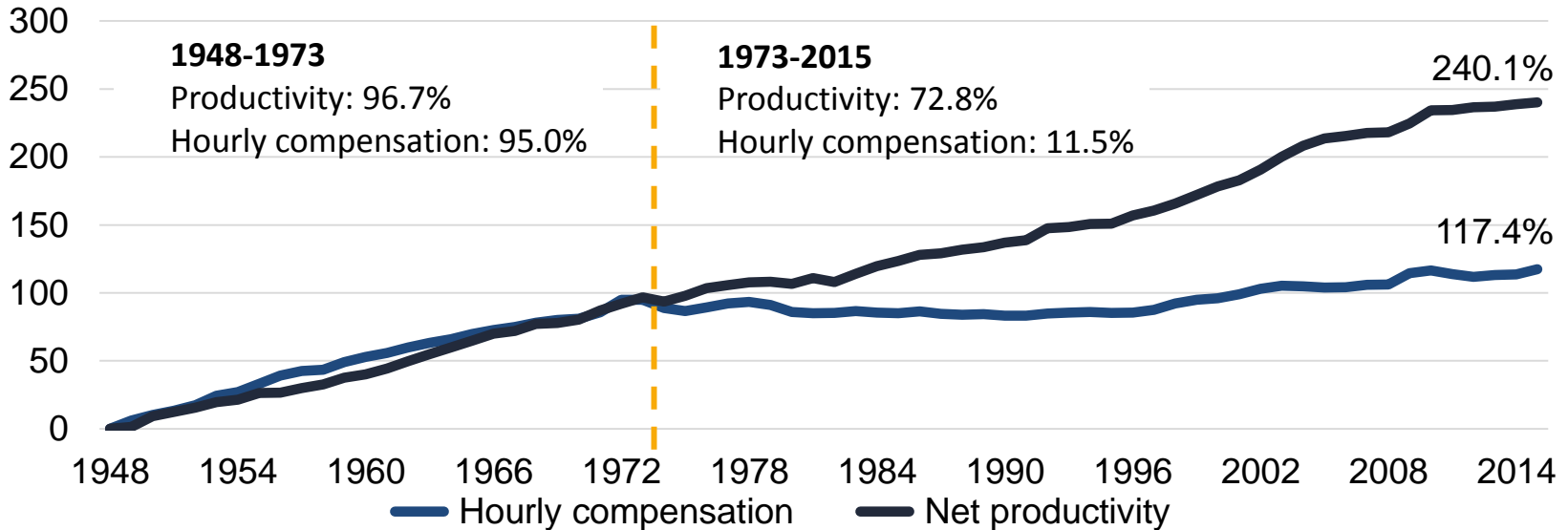


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Productivity and Pay Diverged in the 1970s

Cumulative Percent Change Since 1948

(%)



As of April 2016

Data are for average hourly compensation of production/nonsupervisory workers in the private sector and net productivity of the total economy. Net productivity is the growth of output of goods and services minus depreciation per hour worked.

Source: Economic Policy Institute, Bureau of Economic Analysis, Bureau of Labor Statistics, Haver Analytics

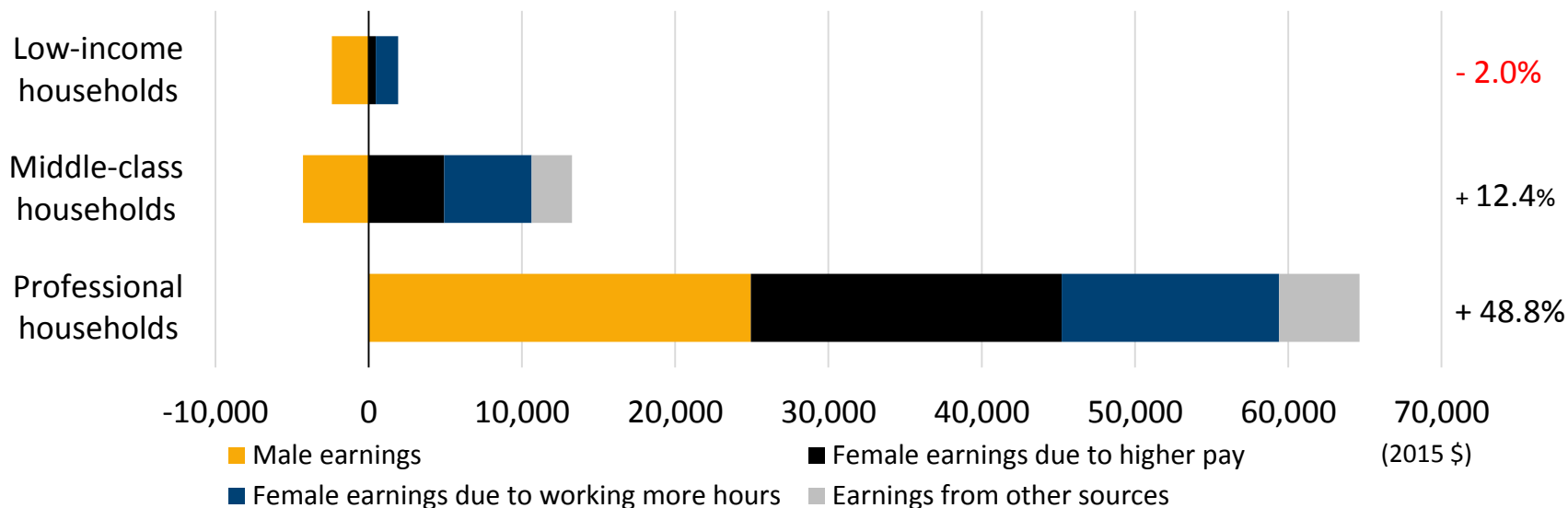




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Women Have Contributed the Bulk of Income Gains since 1979

Change in Average Inflation-Adjusted Household Income, 1979-2013



As of 2013

Analysis uses CEPR extracts of the Current Population Survey Annual Social and Economic Supplement, 1980 to 2014 (1979 to 2013 calendar years). Analysis is done at the household level. Sample includes households with at least one person aged 16-64. Individuals with zero or missing personal income are dropped from the sample. Low-income households are in the bottom third of the income distribution (annual income less than \$25,440 in 2015 dollars). Professional households are in the top fifth of the income distribution with at least one household member with a college degree or higher (annual income greater than \$71,158 in 2015 dollars). Everyone else is in the middle-class category.

Source: Heather Boushey and Kavya Vaghul (4 April 2016) "Women have made the difference for family economic security."

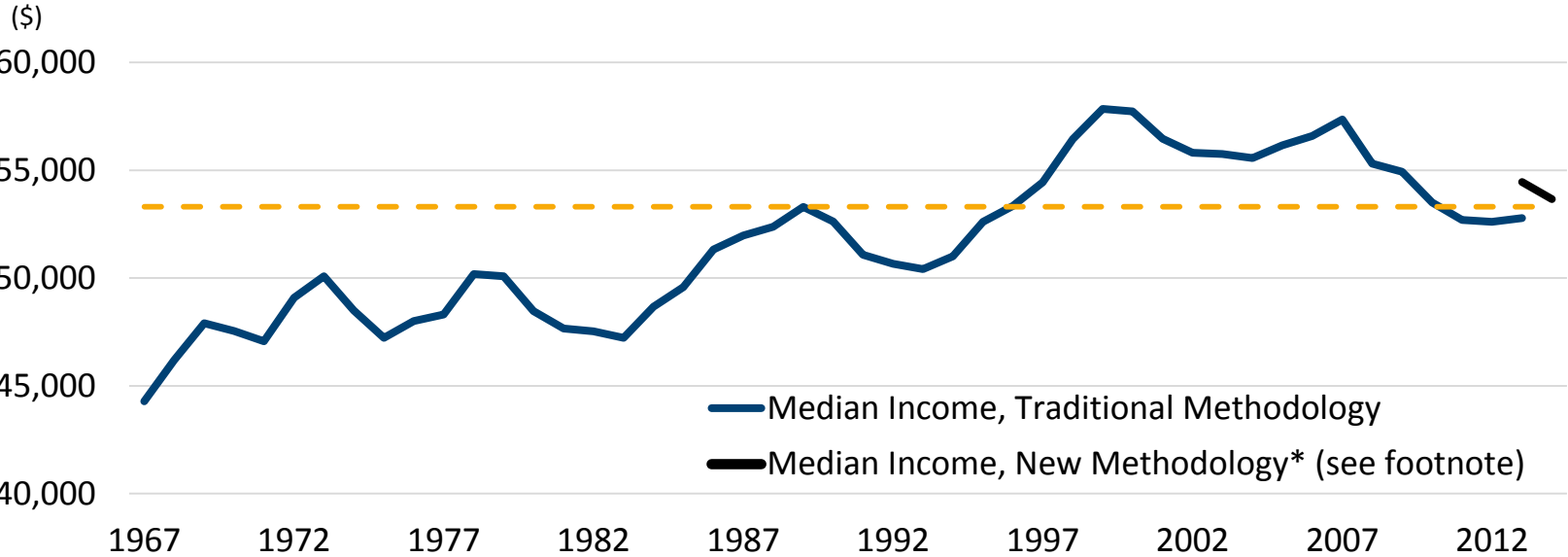




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Median Household Income Is the Same as in 1989

Median Inflation-Adjusted Household Income



— Median Income, Traditional Methodology
— Median Income, New Methodology* (see footnote)

As of September 2015

Income in 2014 CPI-U-RS adjusted dollars.

* Income questions were redesigned for the 2015 Current Population Survey Annual Social and Economic Supplement resulting in a break in the data series. Restated data for prior years have not been provided.

Source: US Census Bureau, Haver Analytics

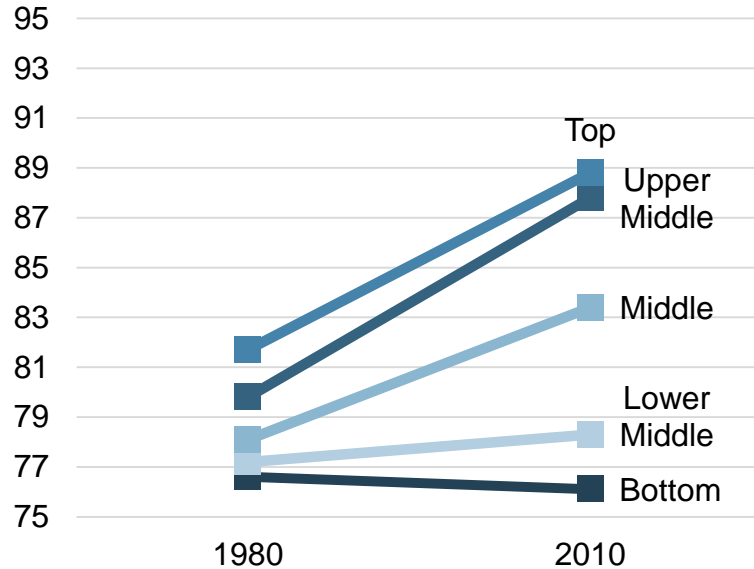




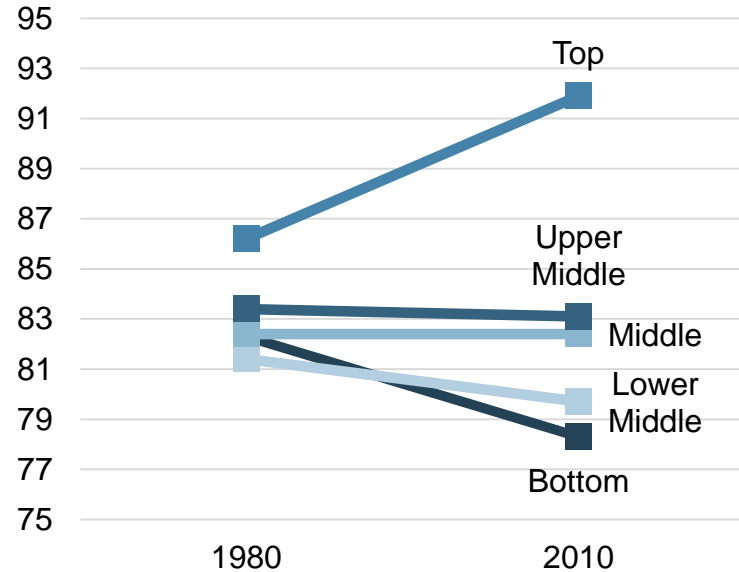
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Income Is Correlated with Health Outcomes

**Male Life Expectancy at Age 50
by Income Quintile**



**Female Life Expectancy at Age 50
by Income Quintile**



As of 2015

Source: National Academies of Sciences, Engineering, and Medicine. 2015. The Growing Gap in Life Expectancy by Income: Implications for Federal Programs and Policy Responses.





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US Retirement Plan Landscape

US Retirement Plan Assets as of end-2014

Type of Plan	Assets (\$ trillion)
Defined Contribution	\$6.8
Individual Retirement	\$7.6
Defined Benefit	\$8.3
Annuities	\$2.1
Total Retirement Assets	\$24.9

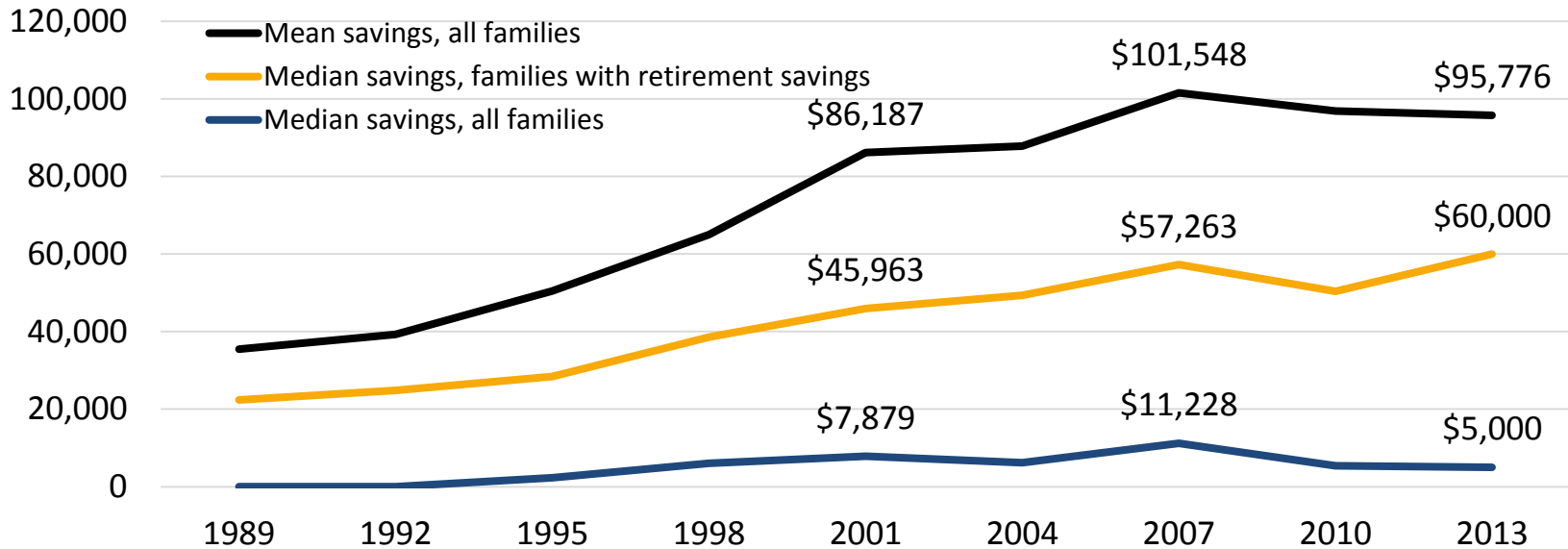


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Retirement Account Savings Are Inadequate

Inflation-Adjusted Retirement Account Savings of Families Aged 32-61, 1989-2013

(2013 \$)



As of 2013
Retirement account savings include 401(k), IRAs, and Keogh plans. Dollar amounts are inflation adjusted and in 2013 US dollars.
Source: Economic Policy Institute (March 2016) "The State of American Retirement", US Federal Reserve (2013) "Survey of Consumer Finance"



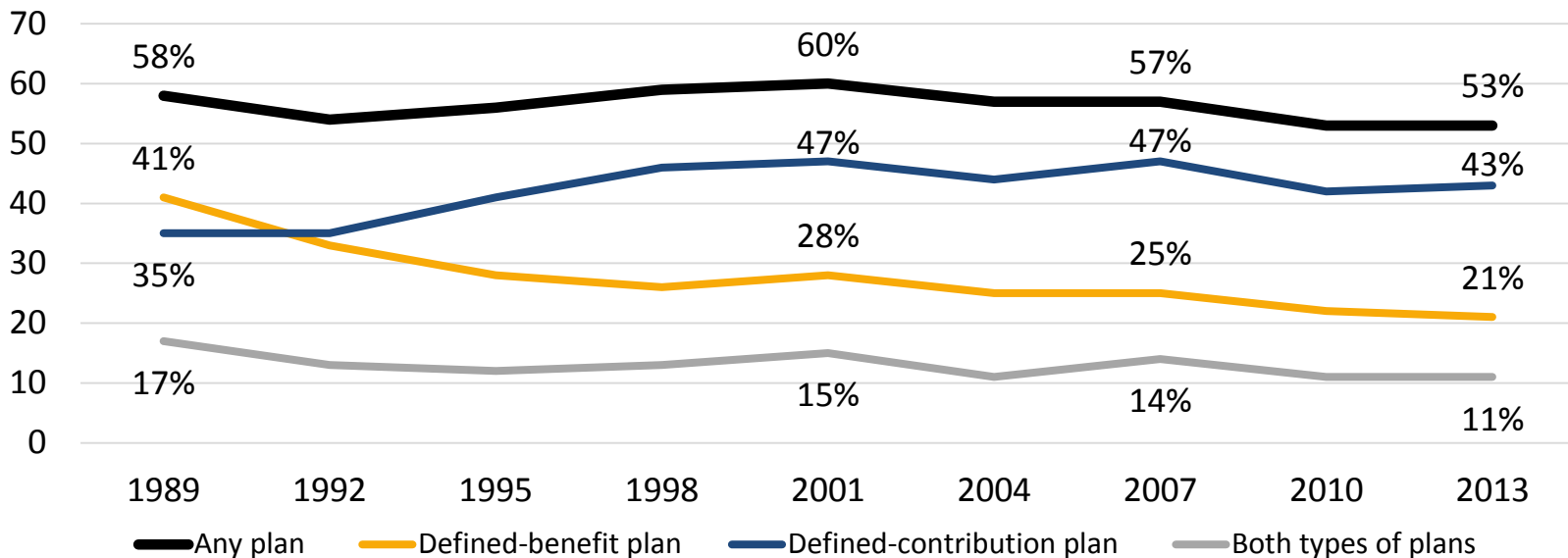


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Retirement Plan Participation Declined Even as Americans Aged

Share of Families Aged 32-61 Participating in Retirement Plans, 1989-2013

(%)

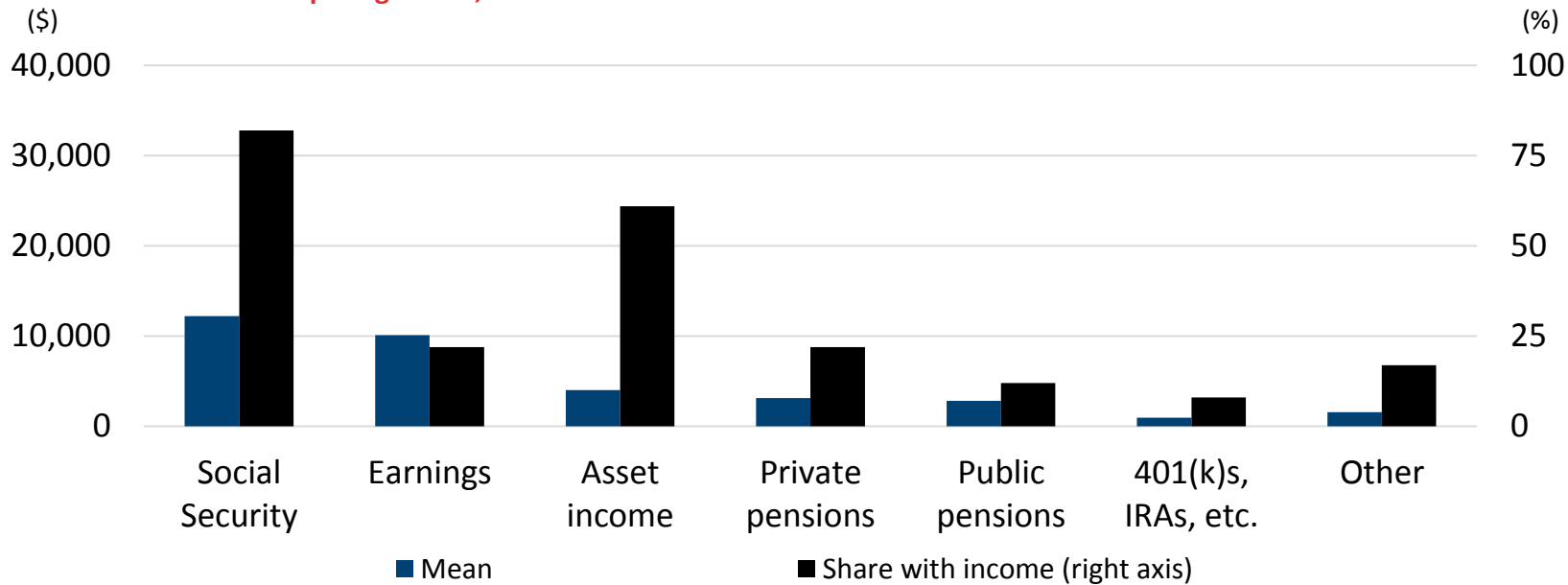




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Social Security Is the Most Important Income Source for Seniors

Annual Income of People Aged 65+, 2014



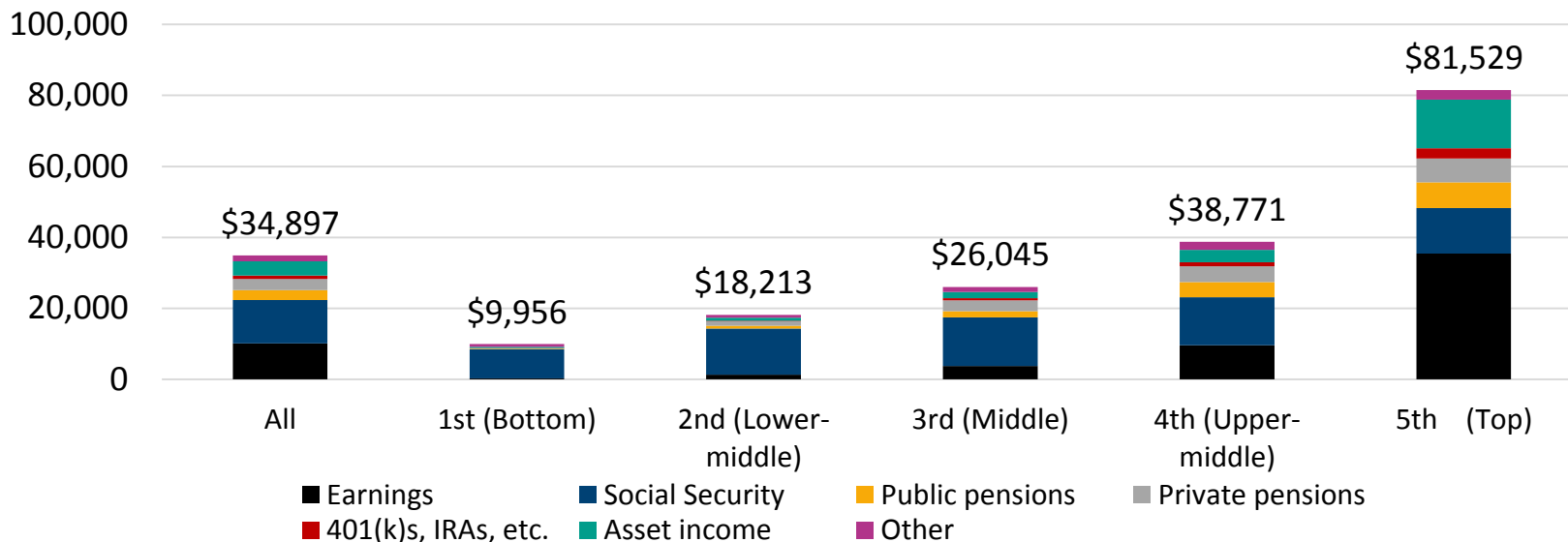


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Many Seniors Rely on Social Security

Mean Annual Income of People Aged 65+ by Source and Family Income Quintile, 2014

(\$)

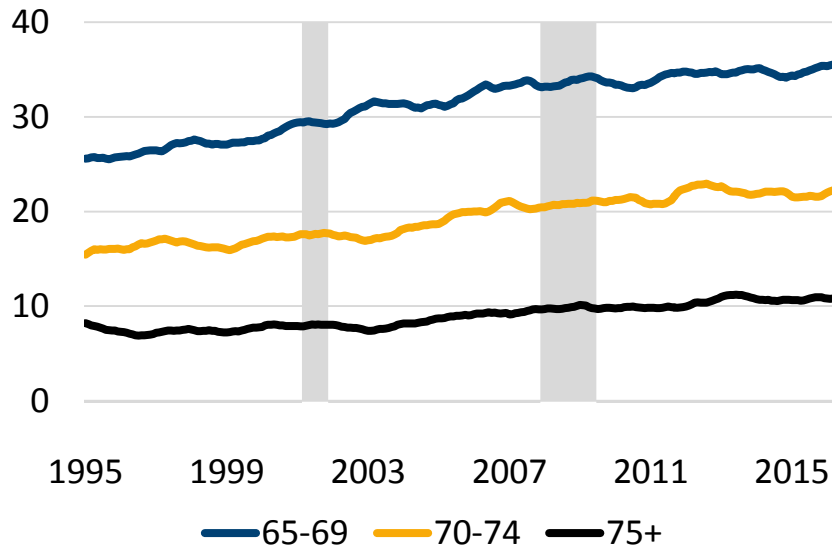




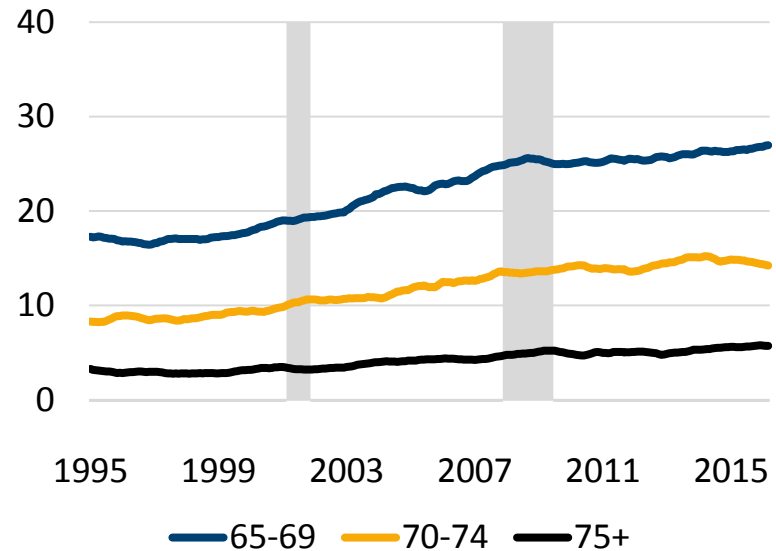
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Working Longer May Be Part of the Solution

Male Employment-to-Population by Age
(%, 12-month moving average)



Female Employment-to-Population by Age
(%, 12-month moving average)



As of March 2016
Charts are 12-month moving averages of not-seasonally adjusted data.
Source: National Bureau of Economic Research, Bureau of Labor Statistics, Haver Analytics





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Implications for Investors

- Reinforces outlook for:
 - Low growth
 - Low inflation
 - Low interest rates
- Insufficient savings could lead to lower long-term growth
 - Inadequate funding for education and infrastructure
 - Political challenges prioritizing spending
 - Cycle of poverty
- Income security is not just an ethical objective, it is an economic necessity



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Ronald Temple is a Managing Director and Co-Head of Multi Asset and Head of US Equity, responsible for oversight of the firm's multi asset and US equity strategies as well as several global equity strategies. He is also a Portfolio Manager/Analyst on various US and global equity teams. He joined Lazard in 2001 with ten years of global experience including fixed-income derivative trading, risk management, corporate finance and corporate strategy in roles at Deutsche Bank AG, Bank of America NT & SA and Fleet Financial Group in London, New York, Singapore, San Francisco, and Boston. Ron has an MPP from Harvard University and graduated magna cum laude with a BA in Economics & Public Policy from Duke University. He is a member of the Council on Foreign Relations, the Economic Club of New York, Duke University's Graduate School Board of Visitors and the New York Society of Security Analysts (NYSSA). He also served as a trustee of the Link Community School in Newark, New Jersey, from 2006-2014, as a member of the Trinity Board of Visitors at Duke University from 2006-2012 and a member of the Financial Accounting Standards Advisory Council from 2013 to 2015.



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