

# Household Finances: Trouble Ahead?

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# Are US Household Finances in Trouble?

A. YES

B. NO

C. I DON'T KNOW

D. I DON'T CARE

# Overall Households Look Financially Healthy

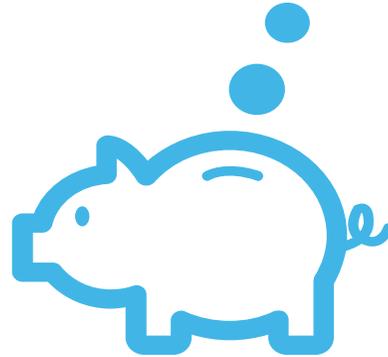
## INCOME



4.3%

Disposable Income  
Per Capita  
Growth in 2018

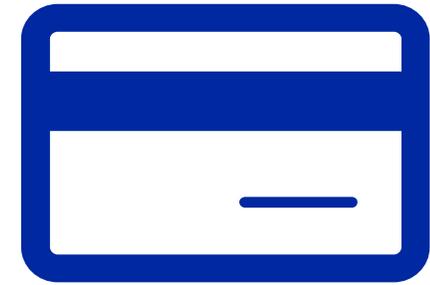
## SAVINGS



\$100 T

Net Worth  
As of YE 2018

## DEBT

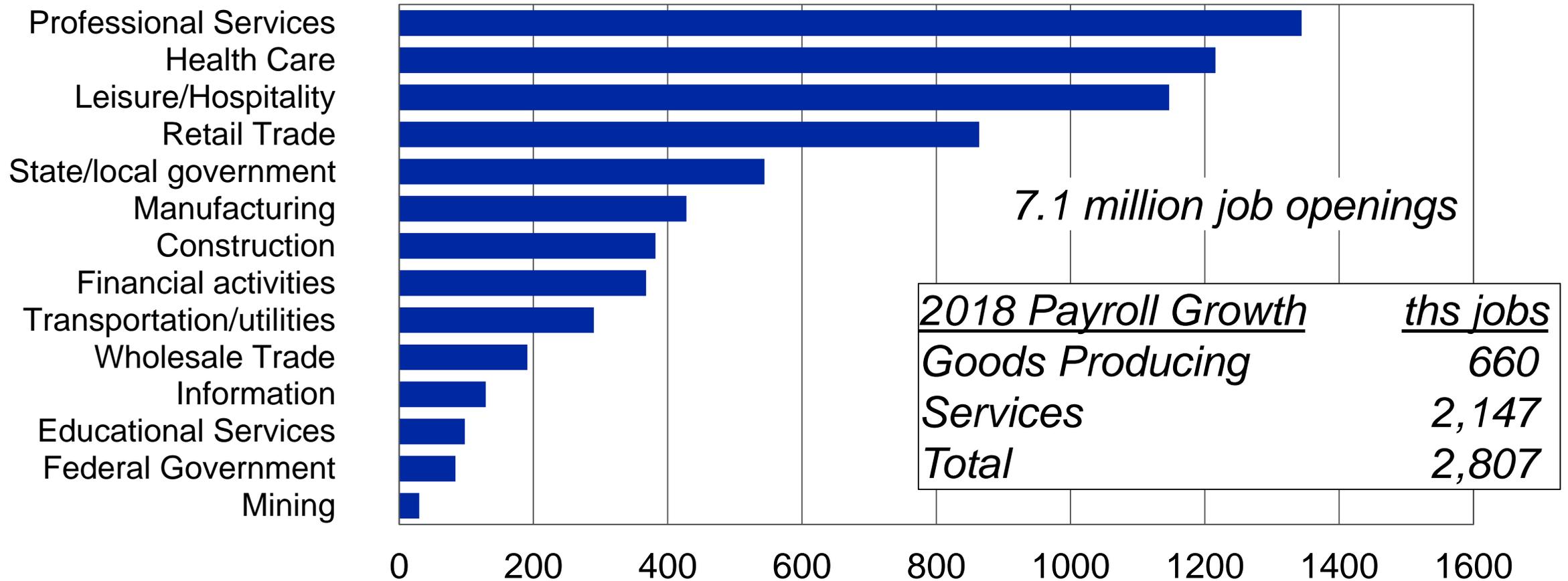


\$15 T

Outstanding Debt  
3.1% Growth in 2018

# Where the jobs are

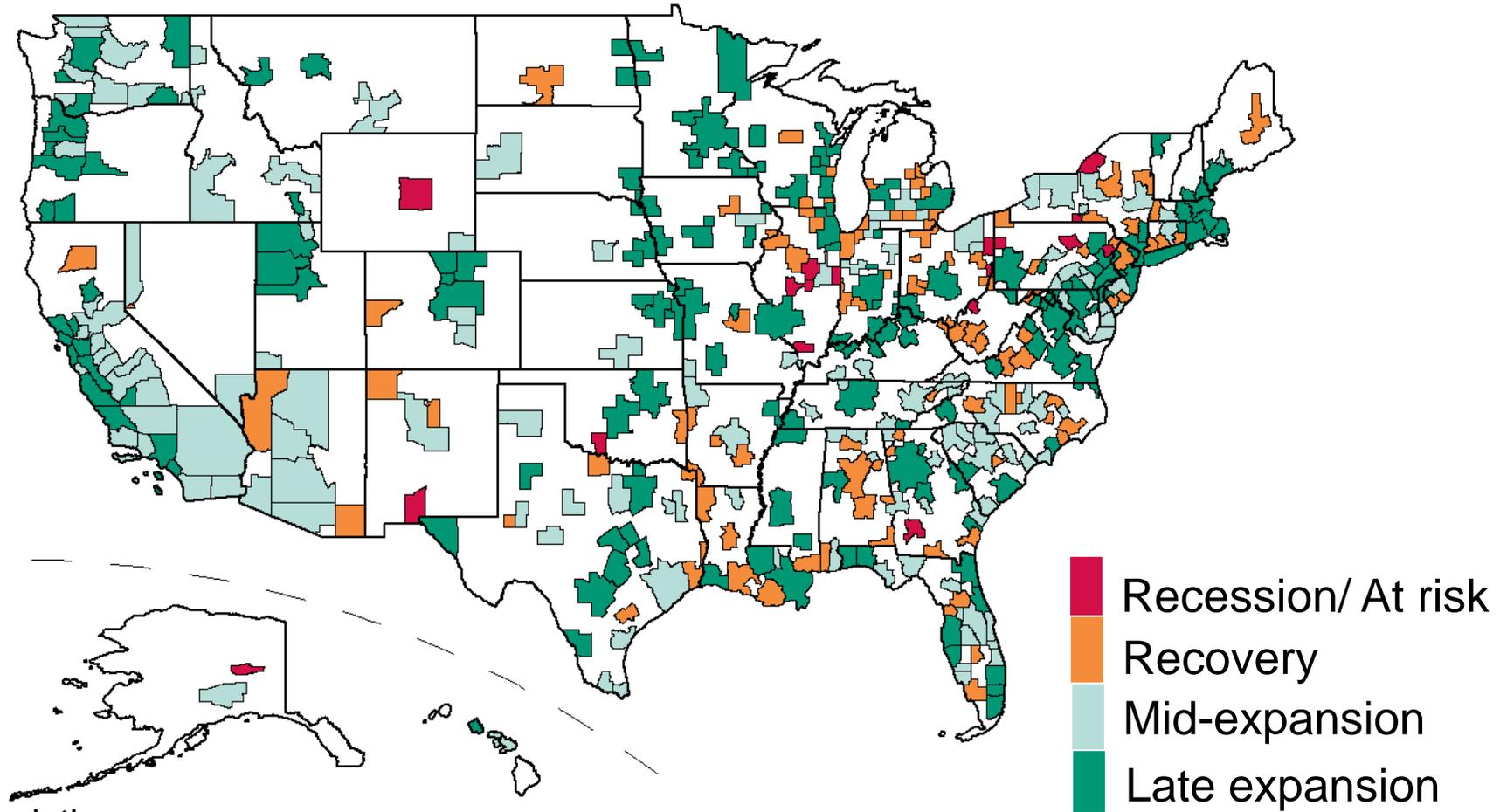
Job openings as of December 2018, ths, SA



Sources: BLS, Moody's Analytics

# Recessions Are Almost Nonexistent

Status as of Nov 2018 data



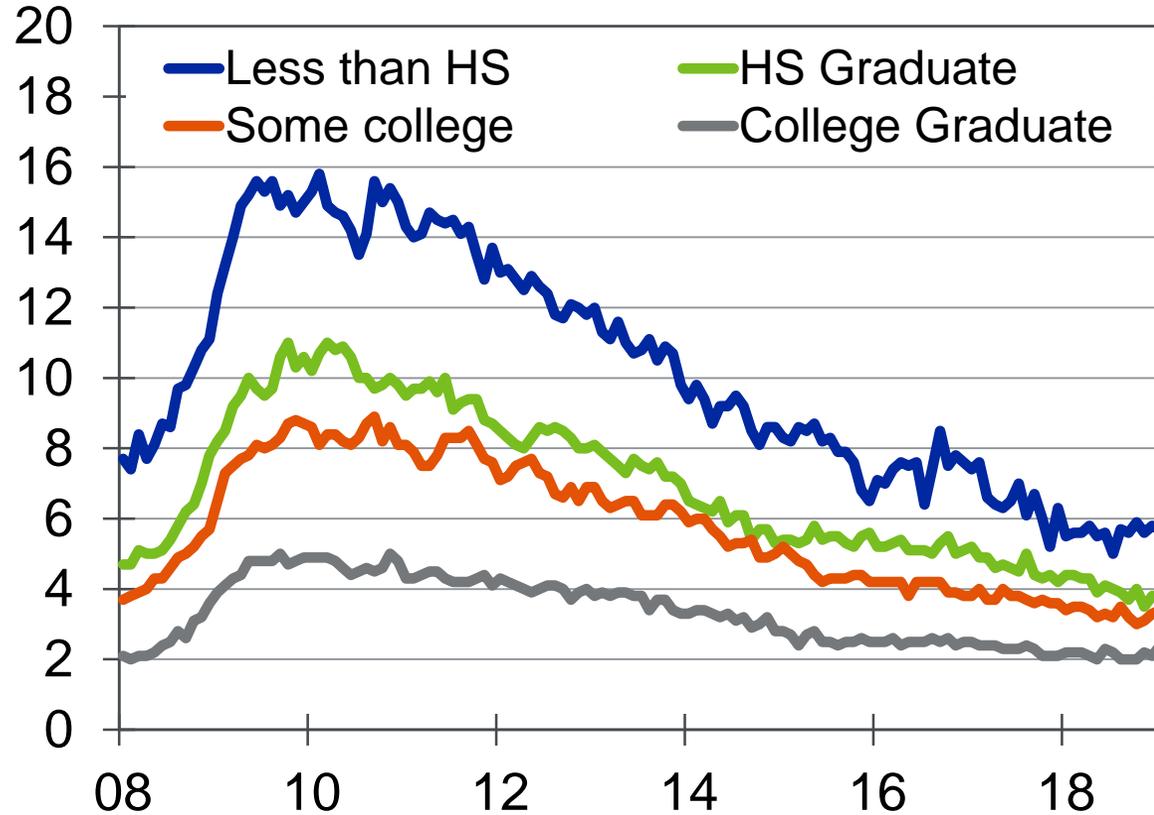
Source: Moody's Analytics

# What percentage of American adults have ever been arrested?

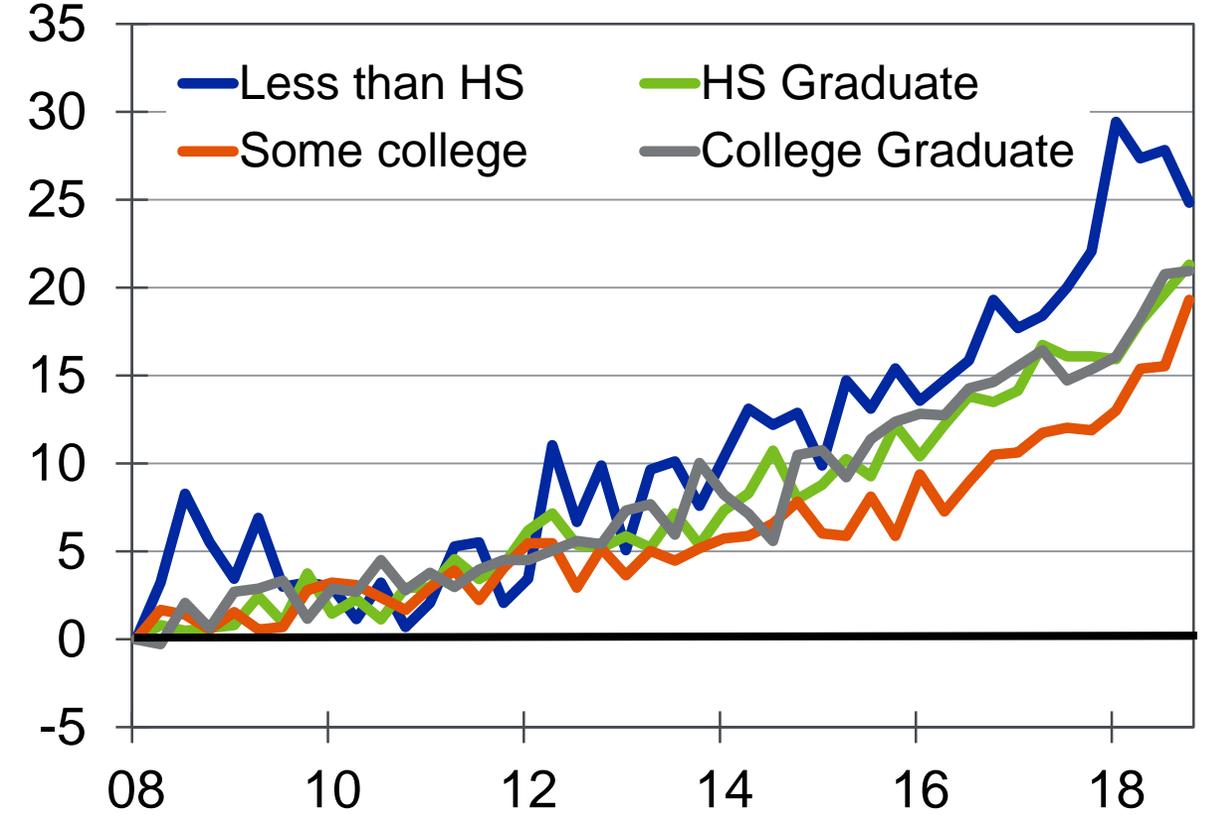
- A. 1%
- B. 3%
- C. 8%
- D. 15%
- E. 30%

# Largest Job Gains Among Lower Educated Workers

Unemployment rate, %



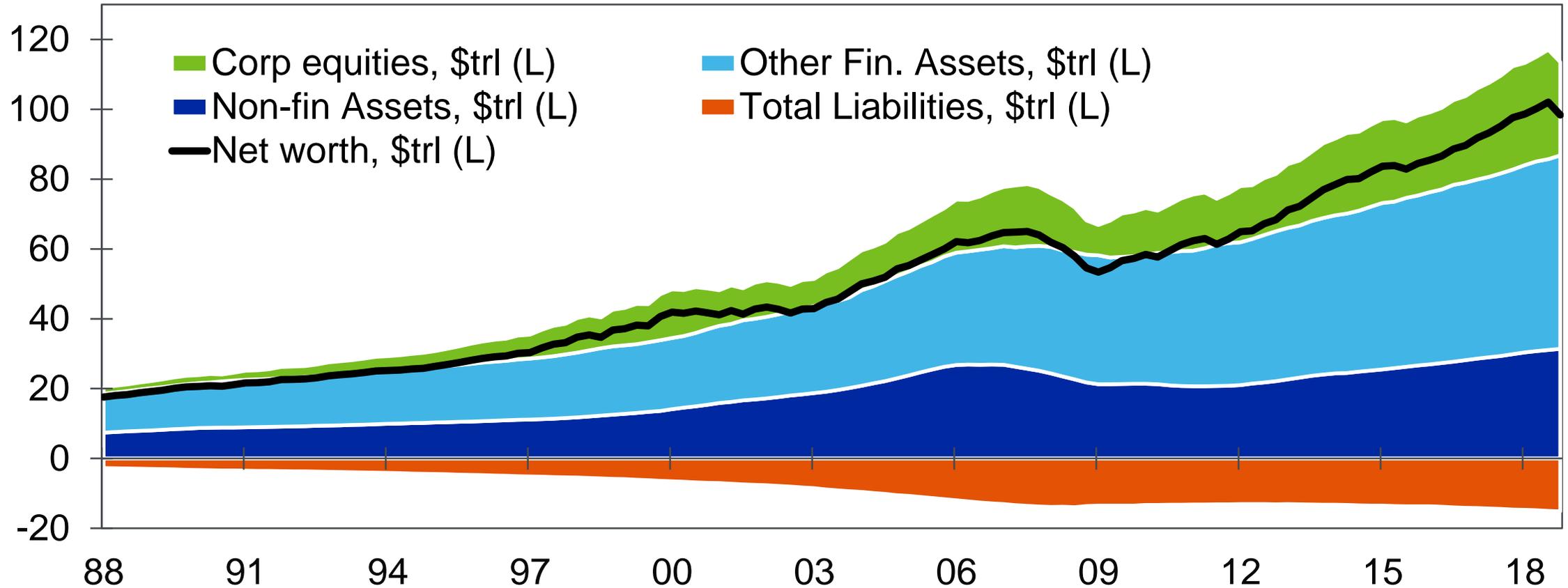
Median Weekly Earnings, % from 2008



Sources: BLS, Moody's Analytics

# Household Net Worth Surpasses \$100 Trillion

Net worth of households, \$trl



Sources: Federal Reserve, Moody's Analytics

What multiple of your desired annual income should you have saved by the time you retire?

A. 1 times

B. 5 times

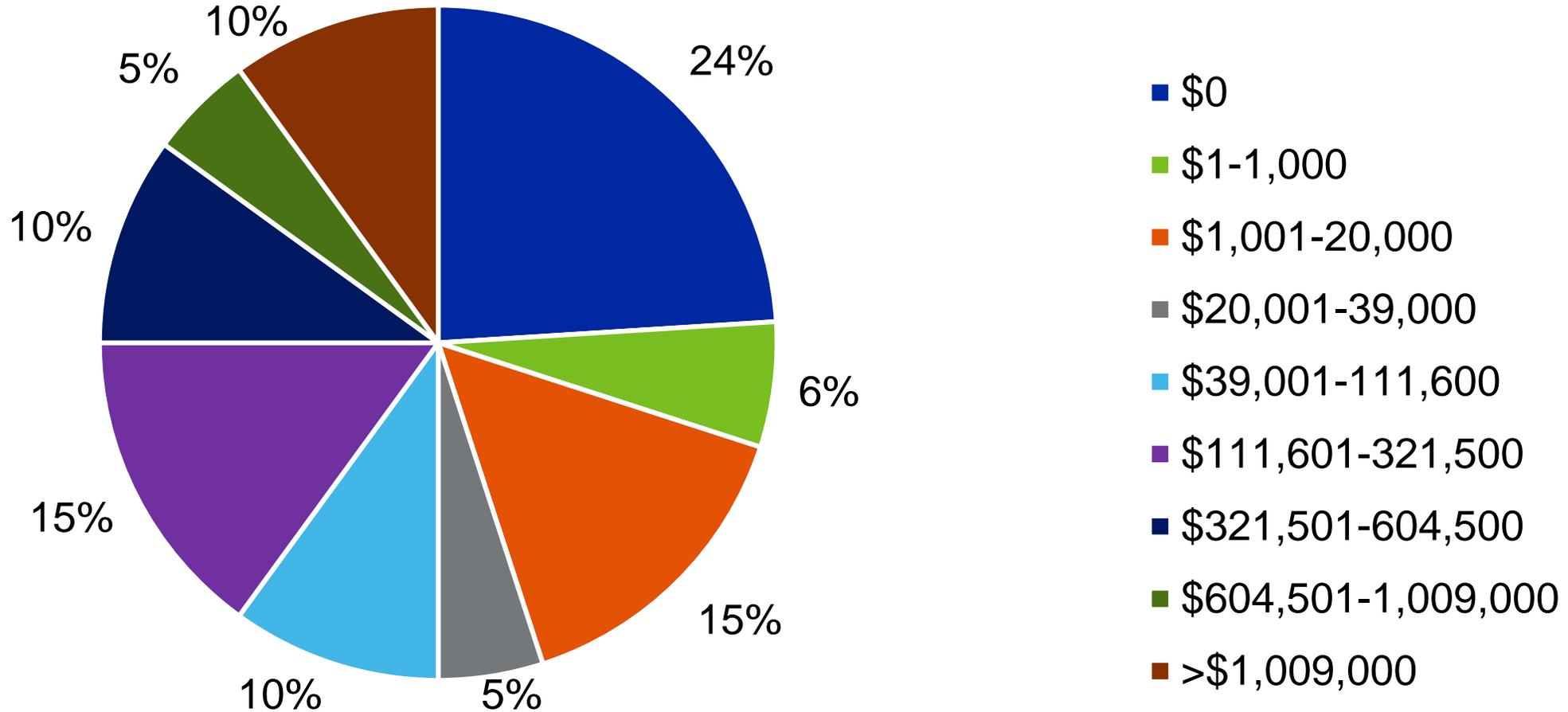
C. 10 times

D. I'M YOUNG AND DON'T CARE

E. ZERO. I'LL NEVER BE ABLE TO RETIRE

# Half of Near-Retirees Have Less than \$40,000 saved...

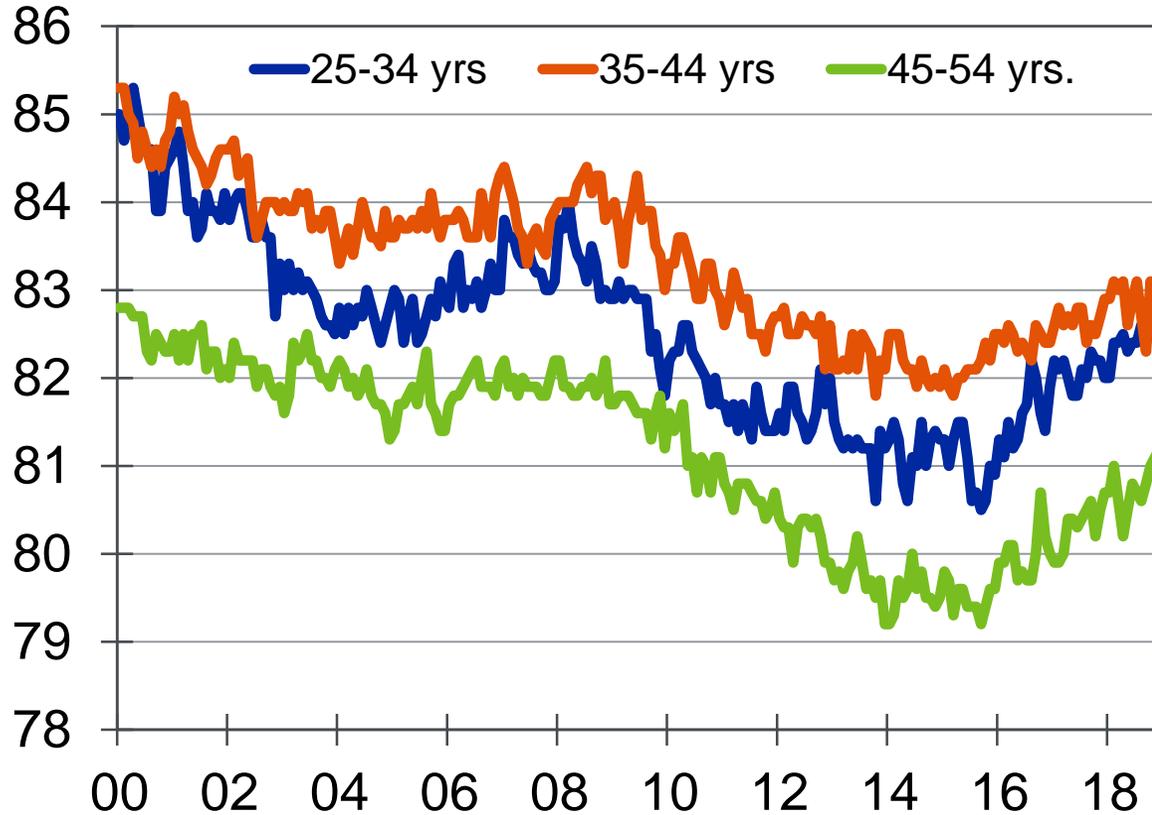
Retirement savings of 60-64 year olds (expansive definition)



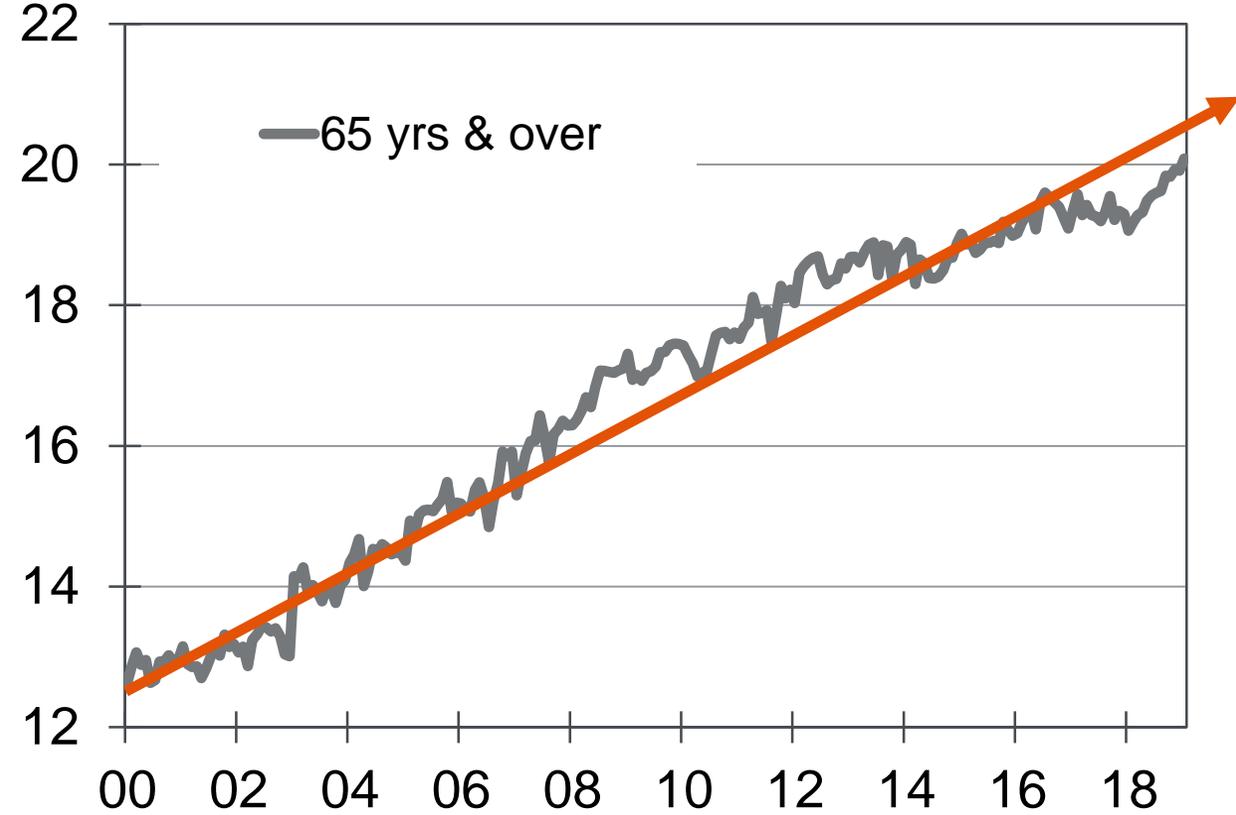
Sources: Federal Reserve Survey of Consumer Finances 2016, Moody's Analytics

# ...Forcing Them to Stay in the Labor Force Longer

Labor force participation rate by age, %



Labor force participation rate by age, %



Sources: BLS, Moody's Analytics

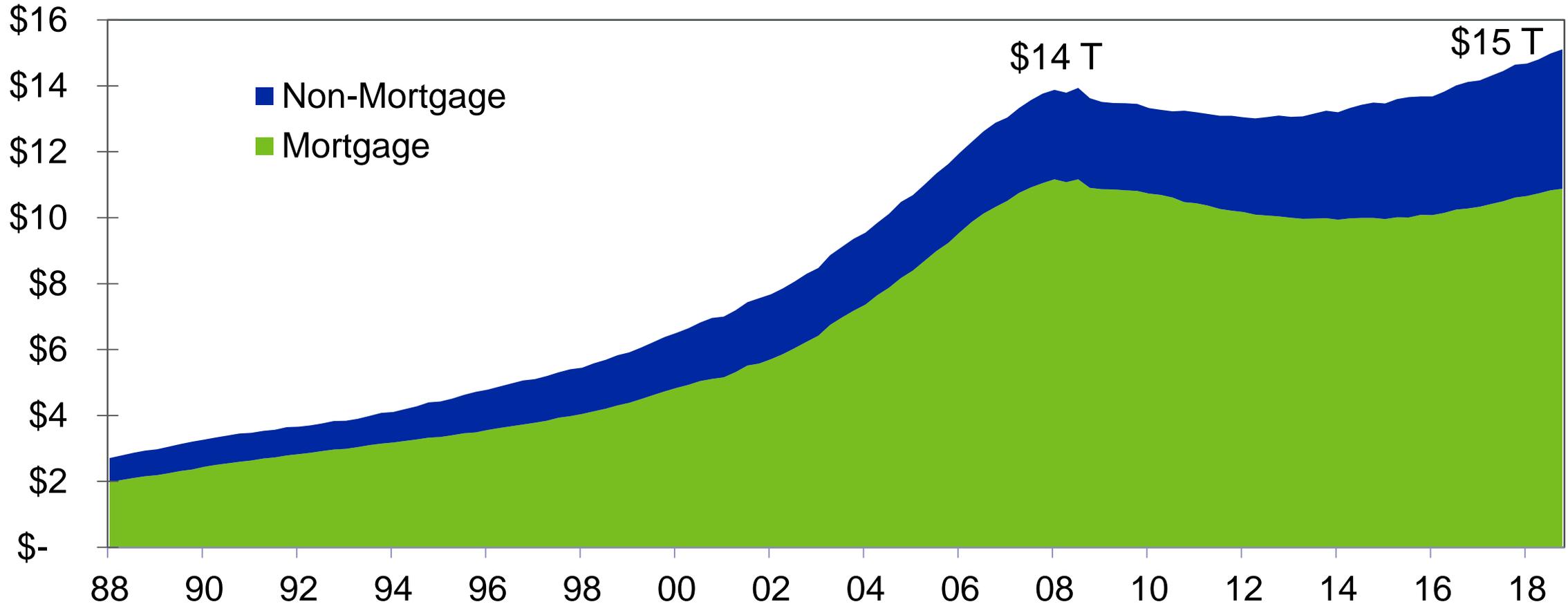
# Do US households have too much debt?

A. YES

B. NO

# Household Debt Level Reaches New Peak...

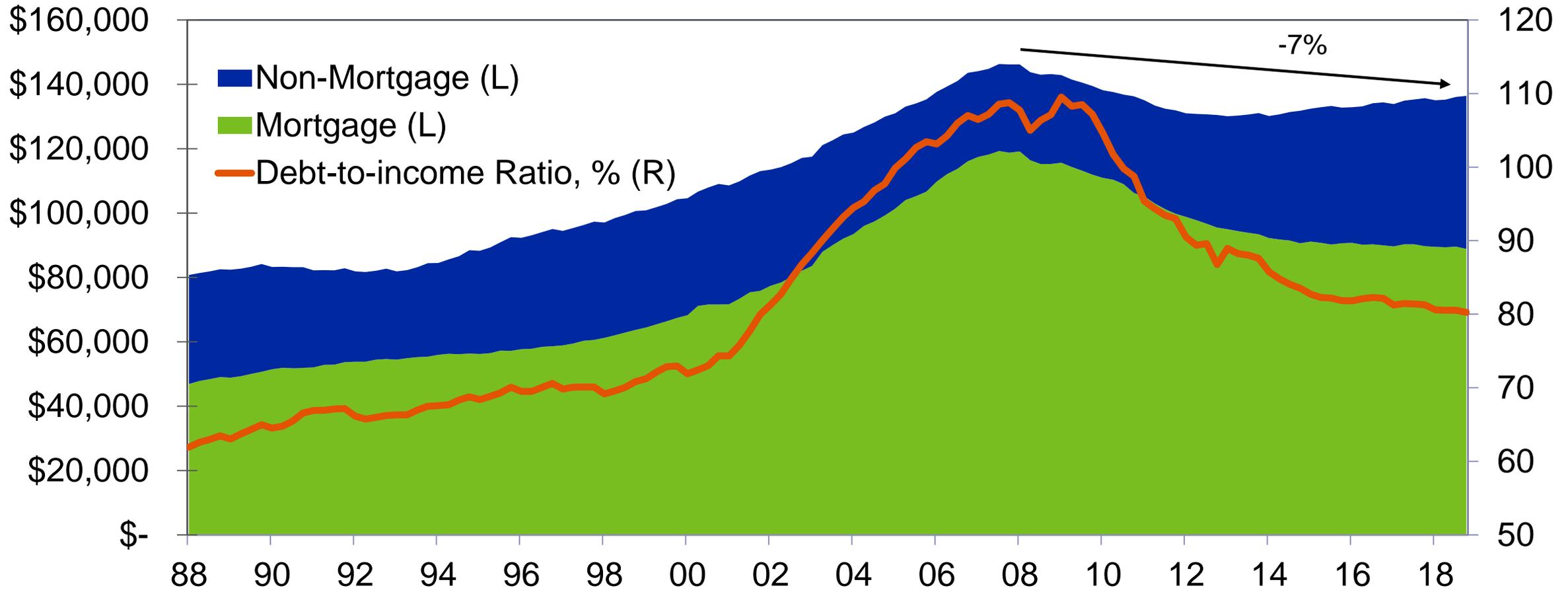
Household debt balances, \$ trl



Sources: Federal Reserve, Moody's Analytics

# ...But Inflation-Adjusted Debt Per Household Lower Than Peak

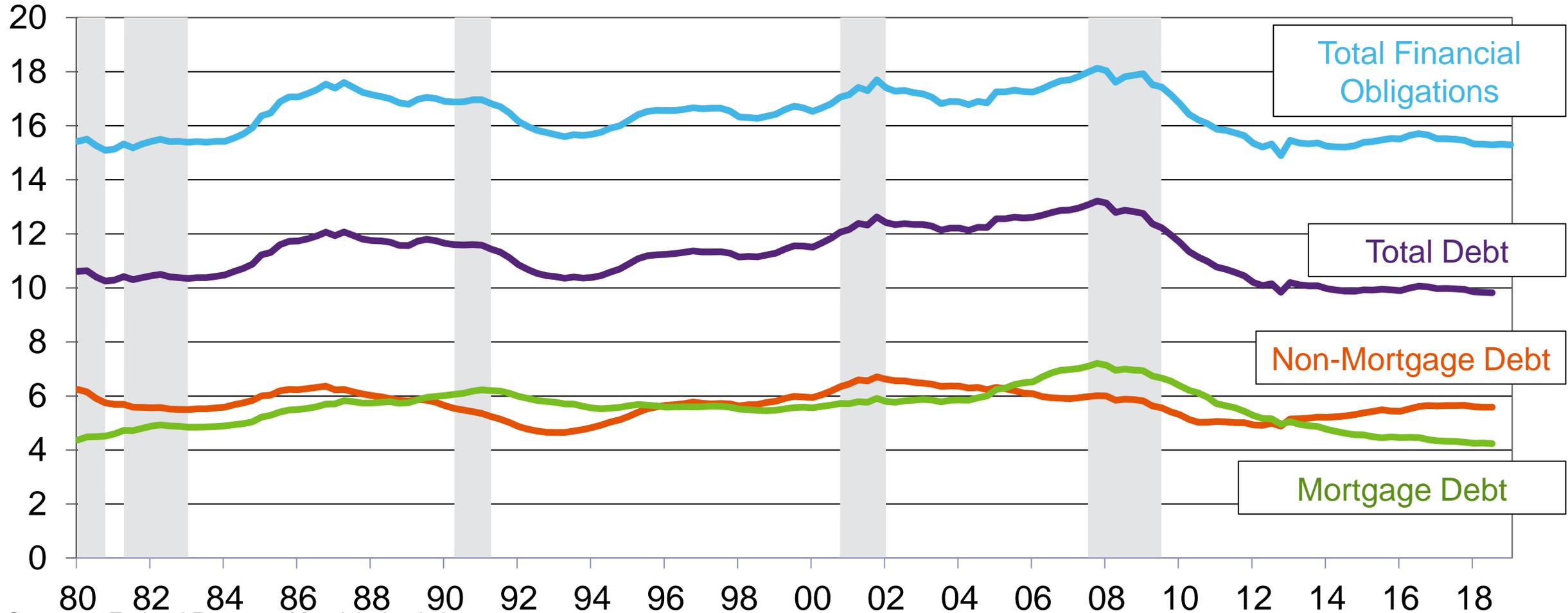
Debt balance per household, 2018\$



Sources: Federal Reserve, Moody's Analytics

# Overall Household Debt Service Ratios Are Sustainable...

Debt Service Ratio (required principal and interest payments as share of disposable income, %, SA)

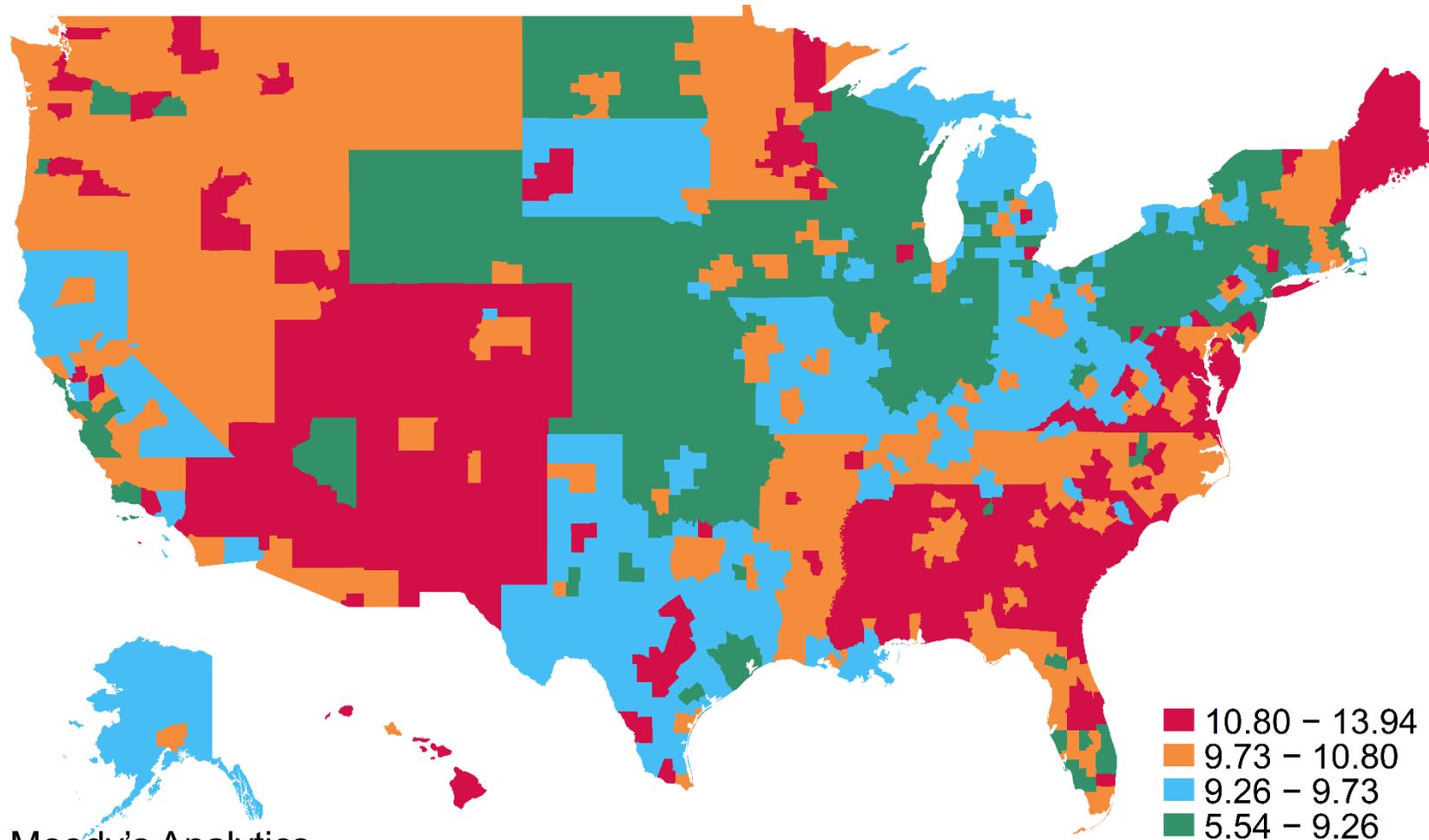


Sources: Federal Reserve, Moody's Analytics.

Calculated as a share of disposable income. Financial burden ratio includes contractual residential rent payments and auto lease payments.

# ...But Debt Service Ratios Vary Across Geographies

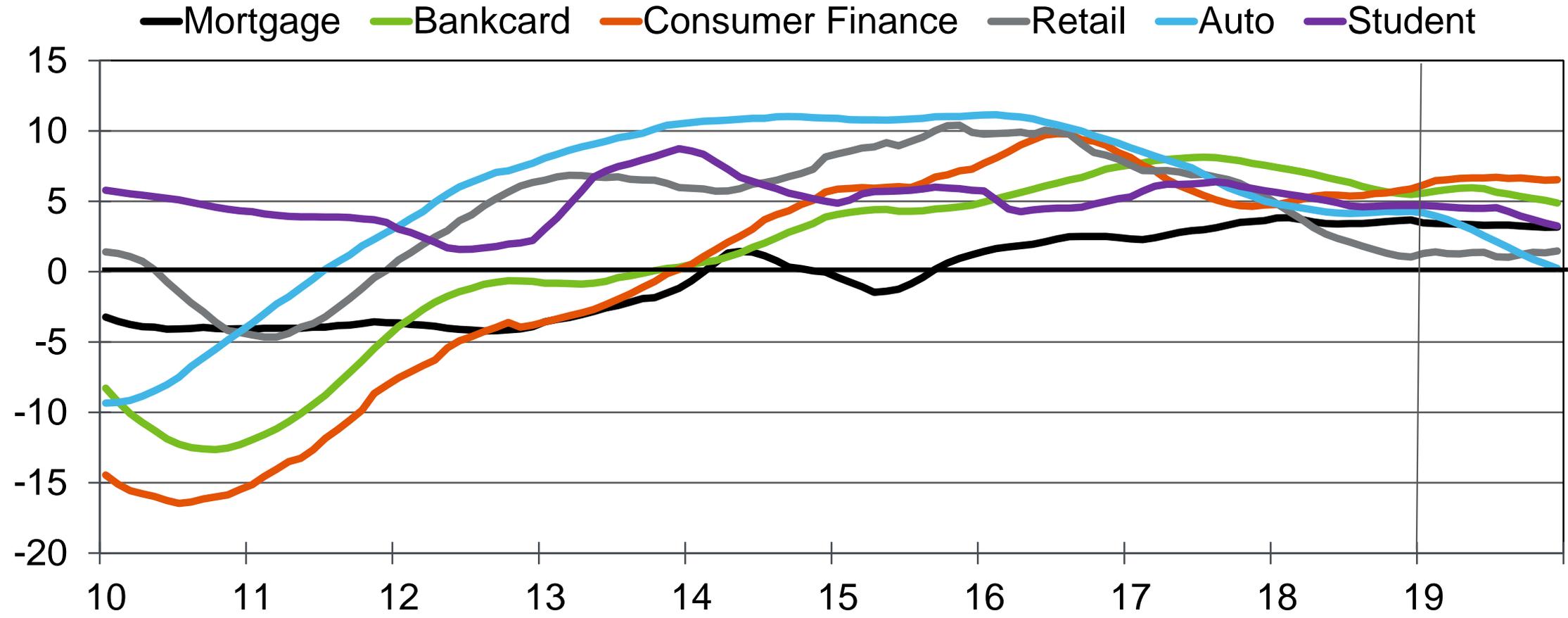
Total household debt payments, % of disposable income



Sources: Equifax, Moody's Analytics

# Household Debt Growth to Slow

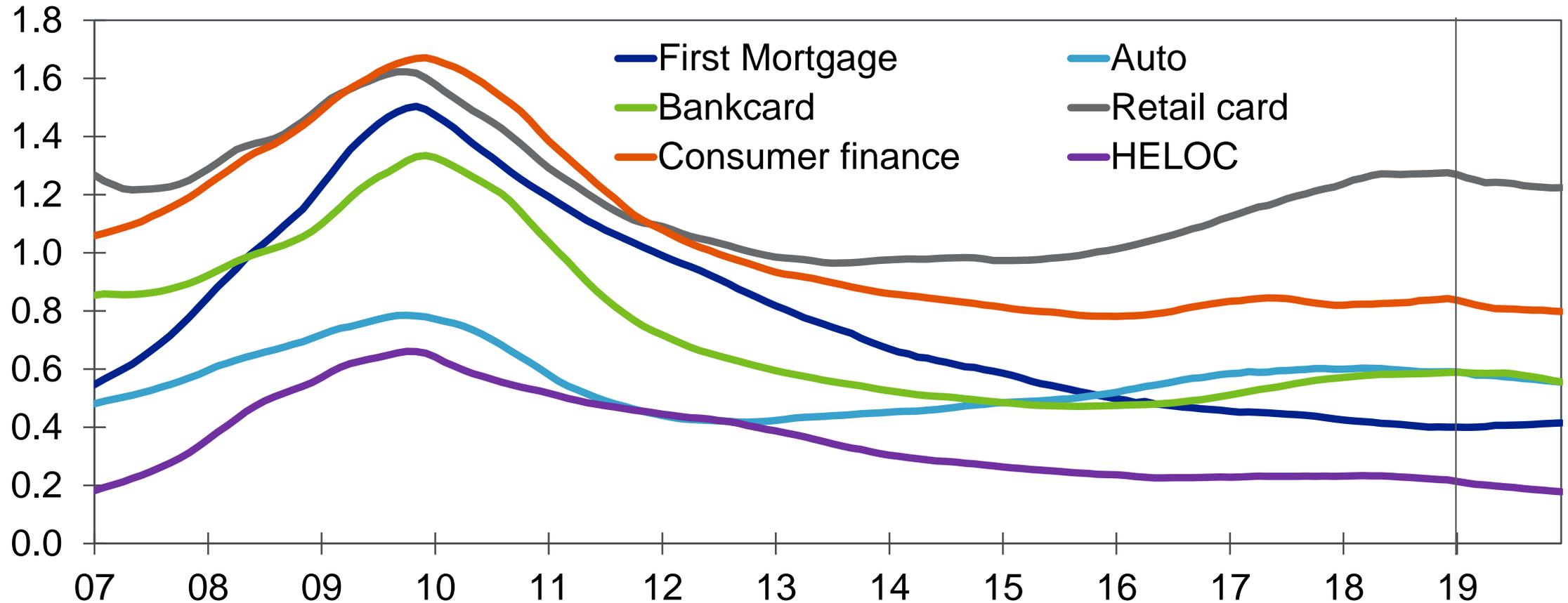
Balances of open accounts, yr over yr % of \$



Sources: CreditForecast, Moody's Analytics

# Payment Performance To Remain Strong

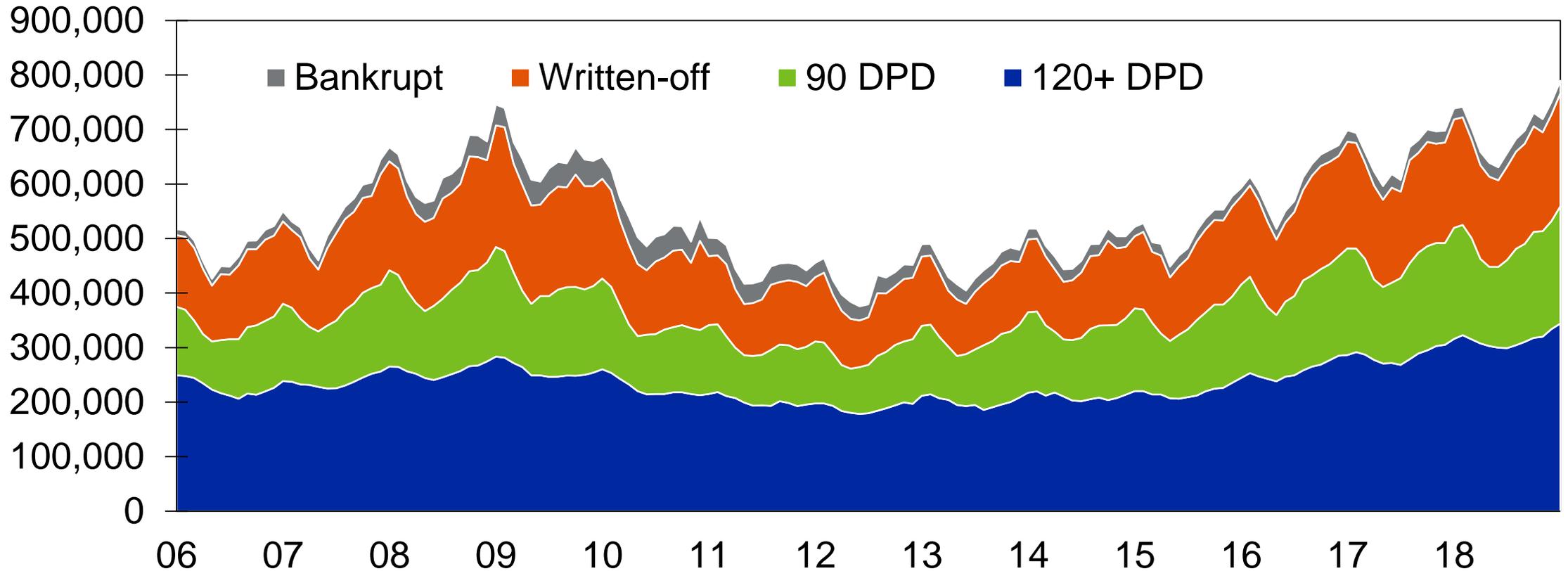
60 days delinquent, % of outstanding balance, 12-mo MA



Sources: CreditForecast.com, Moody's Analytics

# Are Auto Loan Borrowers In Trouble?

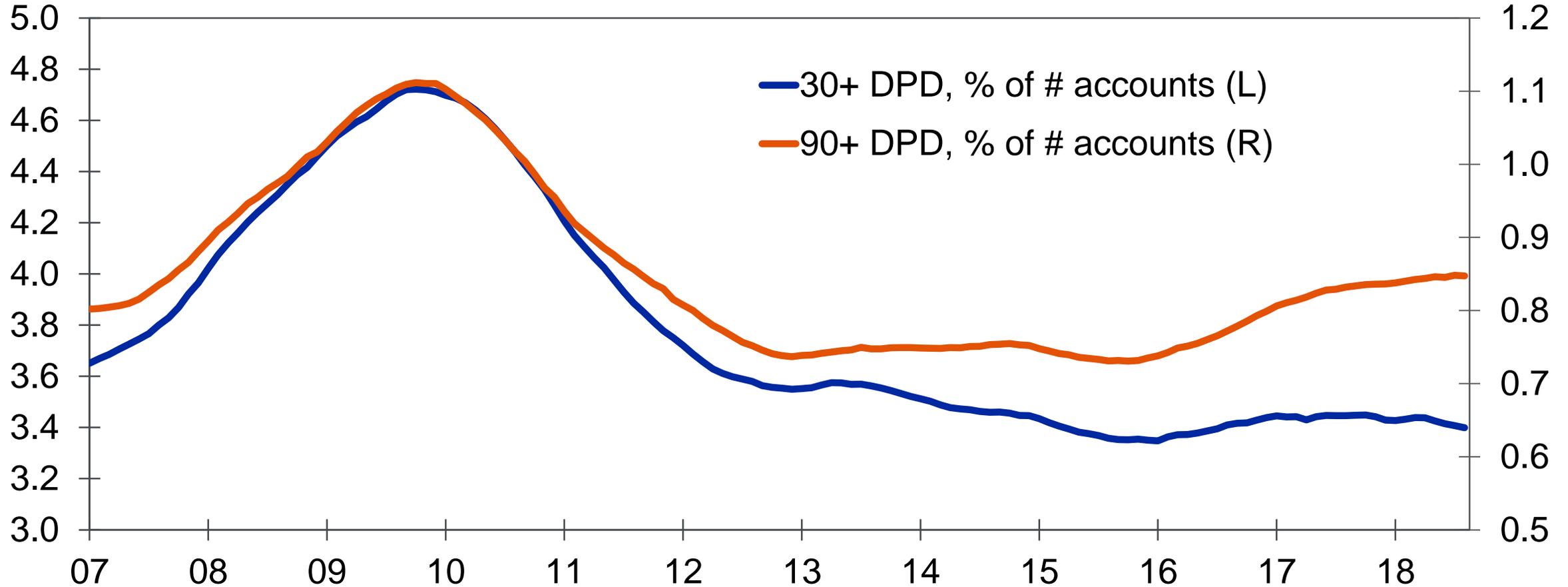
Total number of accounts...



Sources: CreditForecast.com, Moody's Analytics

# Fraction of 30+ Days Delinquent Auto Borrowers Falling

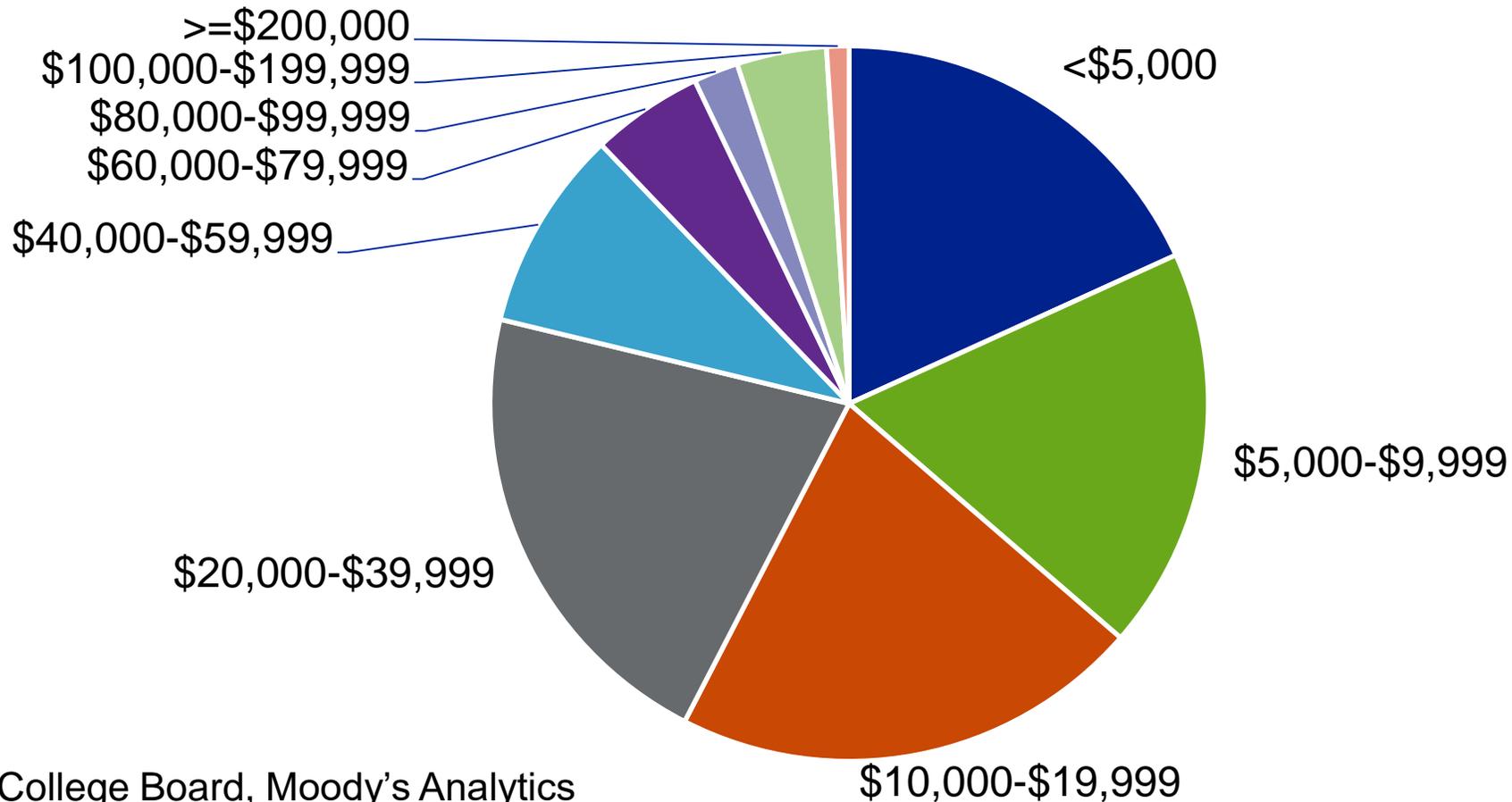
30+ days past due delinquency rate, % of outstanding accounts, 12-mo MA



Sources: CreditForecast.com, Moody's Analytics

# 57% of Student Borrowers Owe Less than \$20,000

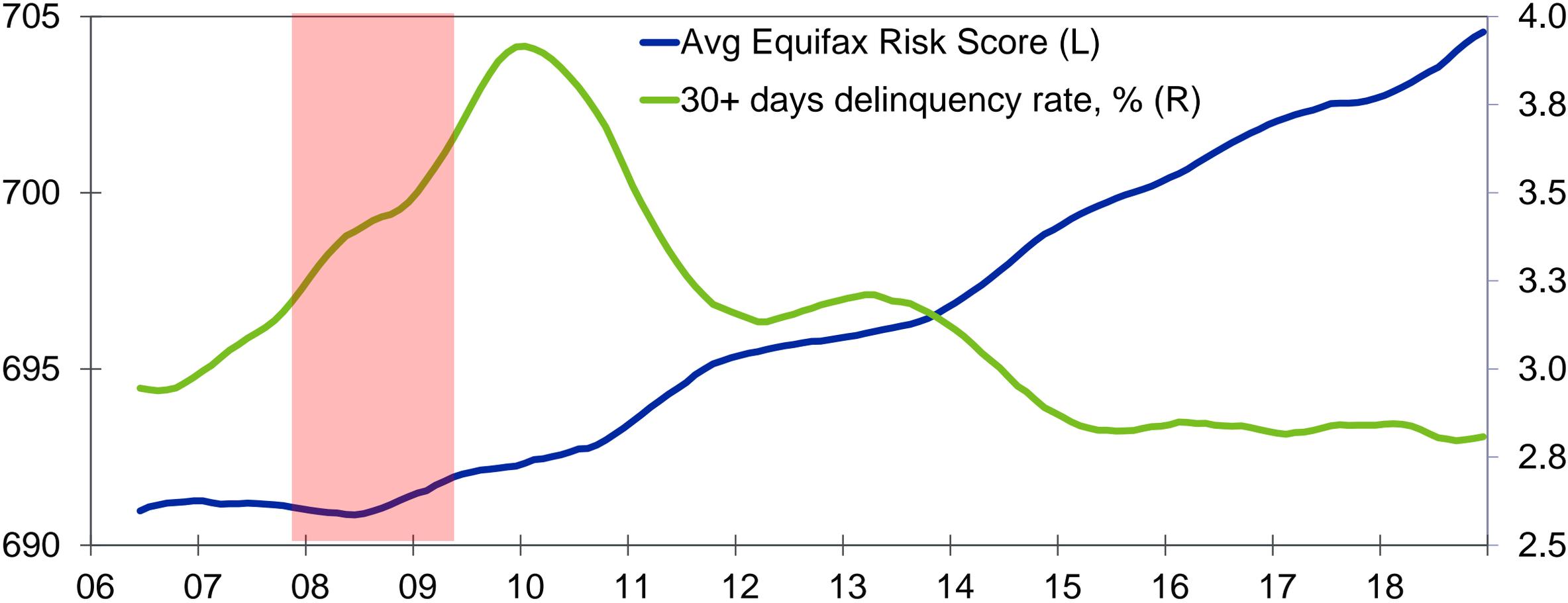
Distribution of borrowers and debt by outstanding balance, 2017



Sources: College Board, Moody's Analytics

# Q: When is a 700 not a 700? A: When the Economy Changes

Avg Equifax Risk Score 3.0, 12-mo MA; % of accounts 30+ days past due, 12-mo MA



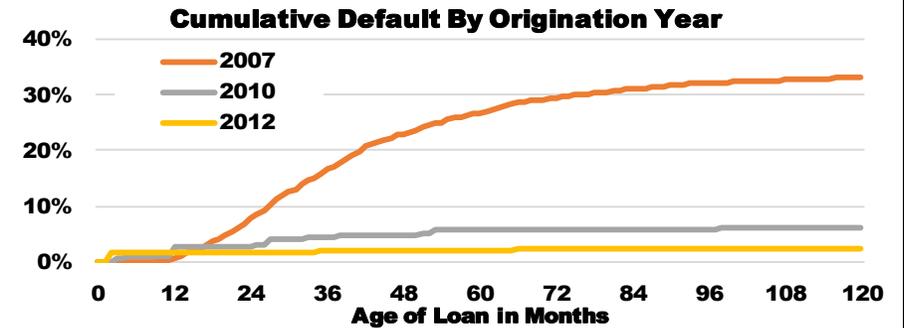
Sources: CreditForecast.com, Moody's Analytics

# People Crave Direction – Not Products

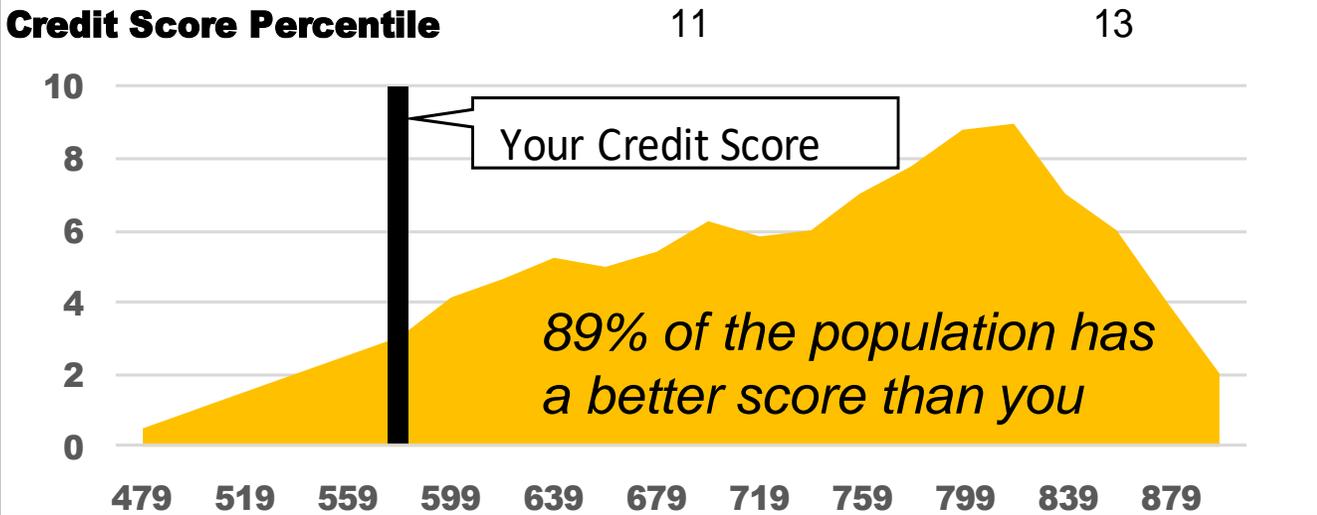
## Consumer Credit Facts

<b>Your credit score:</b>	575
<b>Lending product of interest:</b>	HELOC
<b>State of residence:</b>	Florida
<b>Loan term:</b>	20 years
<b>Initial interest Rate:</b>	8%
<b>Maximum interest rate:</b>	13.50%

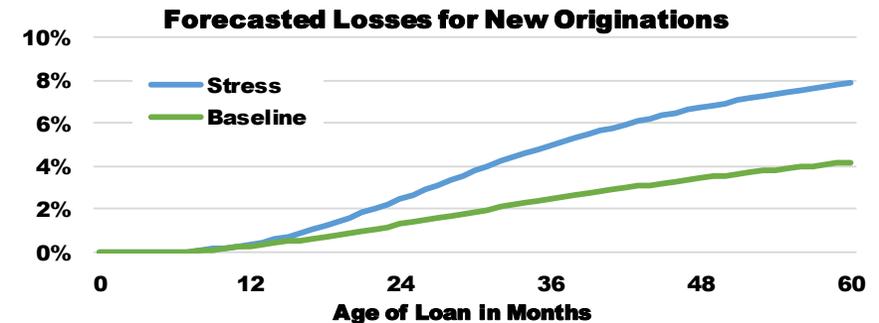
Historical	1-year Default Rate	5-year Default Rate
<b>Origination Year</b>		
2007	0.80%	26.80%
2010	2.60%	5.60%
2012	1.60%	2.20%



	US	Florida
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<b>Forecast</b>		
5-year Default Rate	Baseline	Stress
<b>Origination Year</b>		
2018	4.30%	8.00%



# Lessons from Behavioral Economics: The Importance of Commitment Devices



# Advice From the “Dismal Science”: Optimism Pays!

*Compared to Pessimists, Optimists...*

...make more money

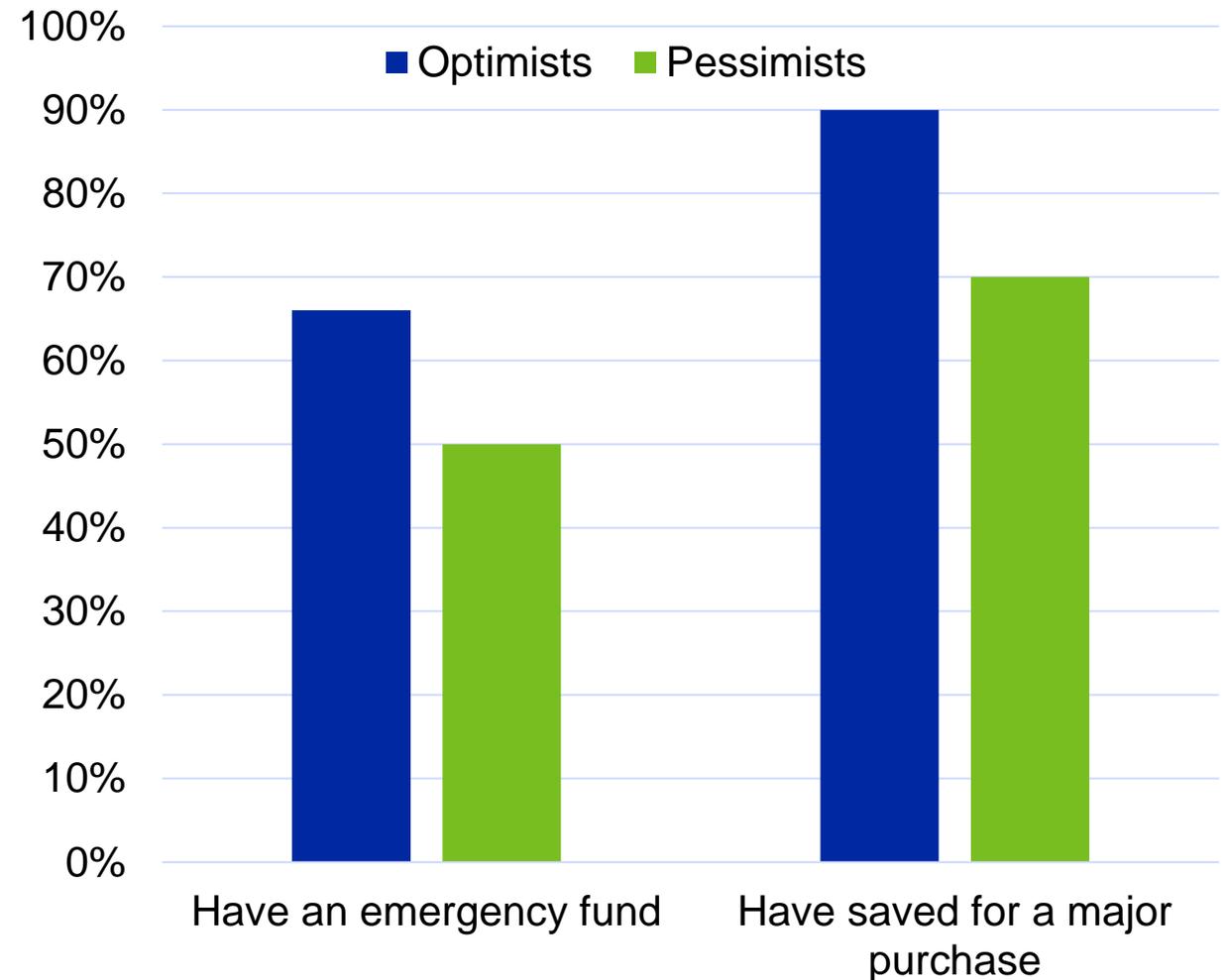
...are 40% more likely to be promoted

...are stressed about finances 145

**FEWER DAYS** per year

...are six times more likely to be  
engaged at work

...are five times less likely to burnout



Sources: Harvard Business Review “The Financial Upside of Being an Optimist”, Moody’s Analytics

# For More Information

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