

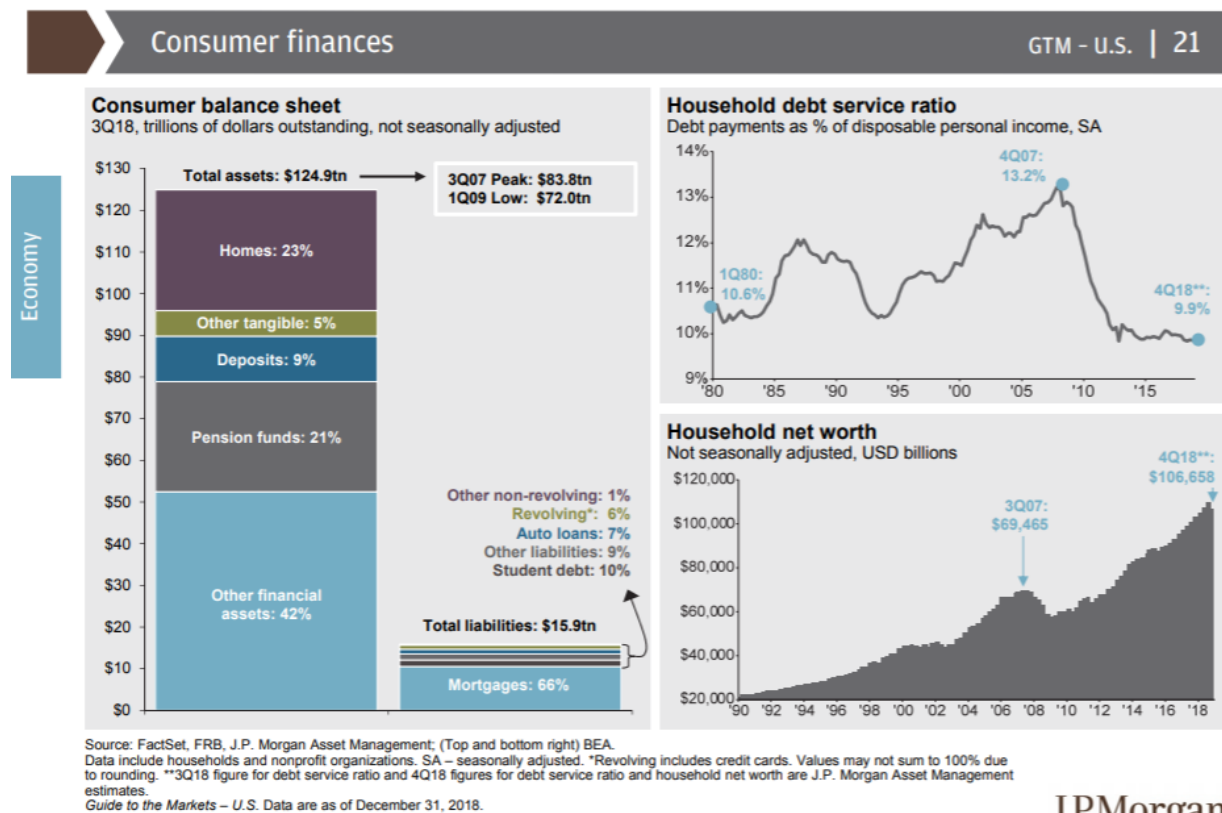
## How Americans Spend and Borrow

Most people are familiar with the saying “A picture is worth a thousand words.” I feel that way about charts and graphs. Today, I wanted to share a couple I thought you might find interesting. These charts may not make you a better investor, but you will look well informed at your next cocktail party. These charts are compliments of J.P. Morgan Asset Management, which produces over 70 such graphs that it updates quarterly. Today, we are going to review:

- **Consumer Finances** – Shows a breakdown of assets and liabilities for American families and what percentage they spend on debt payments. Also, you can see how household net worth has grown over the past 28 years.
- **Federal Finances** – How the federal government spends its money and where it gets that money. Also, how big the current budget deficit is and how it compares to historical levels.

Do not worry if you are not used to reading graphs because I am going to walk you through them. Please let me know if you find these interesting. If so, I’ll share more of these in future posts.

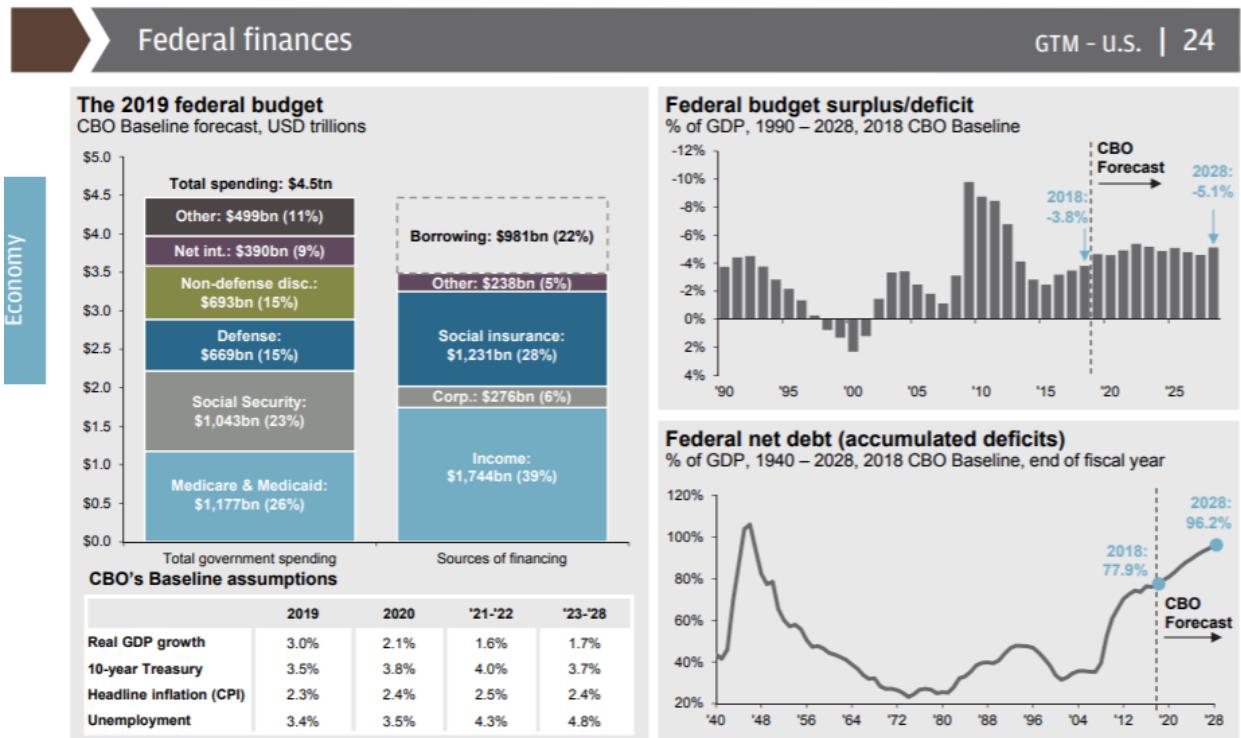
### Consumer Finances



**Here's what I find interesting about this Consumer Finance graph:**

- (Top left) Homes only make up 23% of Americans' assets, but mortgages represent 66% of their liabilities. I would have thought that home values would represent a greater share of assets.
- Student loans are the second biggest category of debt, substantially more than credit cards (i.e., revolving debt) or auto loans.
- (Top right) You can see that only 9.9% of disposable income is used toward debt payments. That seemed low to me, especially because it includes mortgage payments. Although, approximately 34% of homeowners do not have a mortgage. You can see the breakdown of mortgage debt payments vs. all other debt payments [HERE](#). You can also see that (at 9.9% of disposable income) debt payments are taking up the smallest percentage of household income since 1980. Yay!
- Lastly, you can see on the bottom right that household net-worth has exploded since the bottom of the great recession 10 years ago. The benefits have accrued almost entirely to the top 10% of households, leading to a lot of concern (as reported in the media) about income inequality.

**Federal Finances**



Source: CBO, J.P. Morgan Asset Management; (Top and bottom right) BEA, Treasury Department. 2019 Federal Budget is based on the Congressional Budget Office (CBO) April 2018 Baseline Budget Forecast. CBO Baseline is based on the Congressional Budget Office (CBO) August 2018 Update to Economic Outlook. Other spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Note: Years shown are fiscal years (Oct. 1 through Sep. 30). *Guide to the Markets – U.S.* Data are as of December 31, 2018.

**Here's what I find interesting about this Federal Finances graph:**

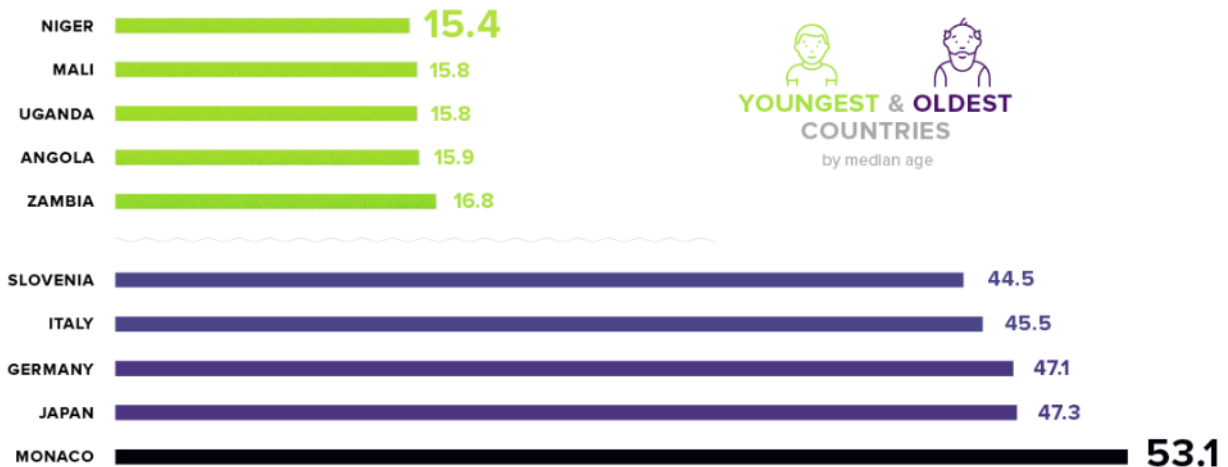
- (Top left) Social Security, Medicare, and Defense (combined) eat up 64% of the federal budget. Non-defense discretionary spending only accounts for 15% of the total federal budget.
- Personal income taxes only cover 39 cents of every dollar of government spending. The rest comes from Social Security Taxes, corporate income taxes, borrowing, and other sources.
- The government only collects 78 cents for every dollar it spends. It is currently borrowing the other 22 cents. Imagine, if you earned \$78,000 and spent \$100,000...every year. Hmm?
- (Bottom right) The total deficit (compared to the total size of the economy was bigger) in the 1940s. However, the deficit has been growing significantly since the Great Recession, with no end in sight.

My conclusion based on these two graphs: American households are making more prudent financial decisions, and living within their means, better than their government.

THOUGHT THAT WAS INTERESTING

## The Median Age on Every Continent

One driver of economic growth is demographics. A younger population lends itself to more economic growth as young people have babies and buy houses, cars, and everything else. This past week, the [Bill and Melinda Gates Foundation released its annual letter](#) that highlights philanthropic opportunities. One interesting statistic was that the median age in Africa is only 18, and only 3% of the African population is over the age of 65. Europe, on the other hand, has a median age of 42, with 18% of the population over age 65.



Read the full article for more insights and to see a map of median age by continent [HERE](#).