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CLIENT BULLETIN

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- ***What Did I study?***

A survey of 1,000 college graduates from 2012 and 2013 who are currently employed revealed that 46% of them are working in jobs unrelated to the college degree that the students earned (Source: Accenture).

- ***Putting it into Perspective***

The drop in the price of oil recently seems dramatic – from a high of $107.26 on 6/20/14 the price of a barrel of oil has fallen approximately 50% to the $54 range over the past six months. It's easy to forget that for the roughly six month time period ending in December of 2008 the price of a barrel of oil dropped **79%** from $145.31 to $30.28. The reasons for the two declines are vastly different and provide an Economics 101 lesson about the effect supply and demand have on prices. In 2008 the price declined largely because of ***demand*** issues – the global recession caused a significant drop in business activity and the need for oil. The more recent drop was due primarily to ***supply*** issues - increased sources of oil and gas from new technologies has enabled global oil output to climb by nearly 50% since 2010 (Source: Energy Information Administration).

- ***Fewer Children***

The birth rate in the United States has been cut in half since 1957. In that year, American women between the ages of 15 and 44 had on average 122.7 births per 1,000. In 2013 that rate was just 62.5 births per 1,000. This has significant implications when considering the challenge of supporting the horde of baby boomers who will be drawing on Social Security and Medicare in the coming years (Source: Census Bureau).

- ***Coming and Going***

After reporting growth of 1.7% in the 3rd quarter of 2014, Greece is on track to grow its economy when the full-year numbers are reported for 2014. That result will end 6 years of recession (2008-2013) in Greece. Japan's economy, on the other hand, contracted 1.6% in the 3rd quarter of 2014 after contracting 7.3% in the 2nd quarter. The two consecutive quarters of decline officially put Japan in a recession. Japan is 10-15 years ahead of the U.S. in facing the demographic challenge of too few workers trying to support too many retirees. (Source: Hellenic Statistical Authority and BTN Research).

➢ *Employer Mandate*

The most impactful aspects of the Affordable Care Act (ACA) kick in over the next few years. Effective 1/1/15, U.S. employers with at least 100 employees must offer health insurance to at least 70% of their employees or pay a per worker penalty. This "employer mandate" was originally scheduled to take effect on 1/1/14 but enforcement was delayed twice on 7/2/13 and 2/10/14. Businesses with 50-99 employees must begin complying by 1/1/2016 (Source ACA).

➢ *Not so Affordable*

Average health care costs are projected to rise 5.5% from $10,717 per employee in 2014 to $11,304 in 2015. As expected, businesses will pass along some of these increased costs to employees. Human resources company Aon Hewitt reports that in 2015 the average worker with employer-sponsored health insurance will pay $2,664 in health insurance premiums. In 2010 the average worker paid $1,835 of health insurance premiums. Out of pocket costs such as copayments, coinsurance and deductibles will rise as well for the average worker, nearly doubling from $1,276 in 2009 to $2,487 in 2015.

➢ *Where Did the Savings Go?*

According to Reuters, consumers saved approximately $1.6 billion in October of 2014 compared to a year earlier due to lower gasoline prices. So why don't we feel richer? Blame the rise in food prices. Food accounts for three times more of household budgets than gasoline. Economists at IHS estimate that U.S. consumers spent $3.3 billion more on food in October of 2014 vs. October of 2013, more than offsetting the $1.6 billion saved on gasoline. Any simplistic reporting that draws conclusions from one set of data (i.e. lower gas prices will give the economy a boost next year) should be taken with a grain of salt.

➢ *Dollar Impact*

The U.S. dollar was on a tear in 2014, especially in the last few months. You will likely see articles in financial publications suggesting investment strategies based solely on the dollar's rise. If only it were that simple. An increase in the U.S. dollar relative to other currencies has myriad effects and causes economic cross-currents that cannot easily be capsulated into a single, actionable investment strategy. Consider first two of the positive effects of the dollar's rise:

1. U.S. vacationers traveling abroad will see their money go further
2. A strong dollar reduces the price of imports which is good news for U.S. consumers, who will pay less for imported goods.

Each of these benefits, however, has a corresponding offset that must be considered:

1. A strong dollar makes the United States less affordable to prospective international travelers and the associated spending that would advance U.S. economic growth.
2. Because a strong dollar reduces the price of imports, sales of similar U.S.-produced products suffer, potentially weakening domestic growth.

Now you know why economics is called the dismal science – too many "on the other hands".