

September

Personal finance ratios

There are seemingly countless ways to measure financial health for both individuals and corporations. In earnings reports, companies use complicated calculations and ratios to inform investors—and the general public—regarding the health of their business. However, the average American can use these principles to assess their own financial health.



Personal savings

Formally known as “average propensity to save,” the personal savings ratio is the amount of income saved for an individual or household. According to the Federal Reserve Bank of St. Louis, the average saving rate was just under 5 percent for Americans in 2016. Historically, the average savings rate in any given year since 1959 has been about 8.5 percent.



Debt-to-income

As its name would indicate, a debt-to-income (DTI) ratio is the proportion of an individual’s monthly debt payments in relation to his or her gross monthly income. Many lenders use DTI as a primary indicator of worthiness of loans because it gauges the individual’s ability to cover loan payments. Though there is no consistent, unilateral recommended ratio, it is popular convention that a DTI over 40 percent will make it more difficult to secure a loan.



Liquidity

This ratio is used to determine how an individual is able to make ends meet in the event of an emergency. Liquidity is calculated by taking all liquid assets (such as nonqualified accounts and cash) divided by fixed monthly expenses (like debt payments). It is commonly suggested that an individual should have 3-6 months’ worth of expenses in liquid assets.



Debt-to-asset

The debt-to-asset ratio is calculated by taking an individual’s total debt divided by their total assets. Though this ratio is primarily used in relation to a company’s finances, it is used to help lenders understand an individual’s borrowing habits, specifically how much of their net worth is tied up in hard assets.

The market at a glance

August

U.S. Large Cap (S&P 500)

2,471.65 (0.05%) ▲

U.S. Mid/Small (Russell 2000)

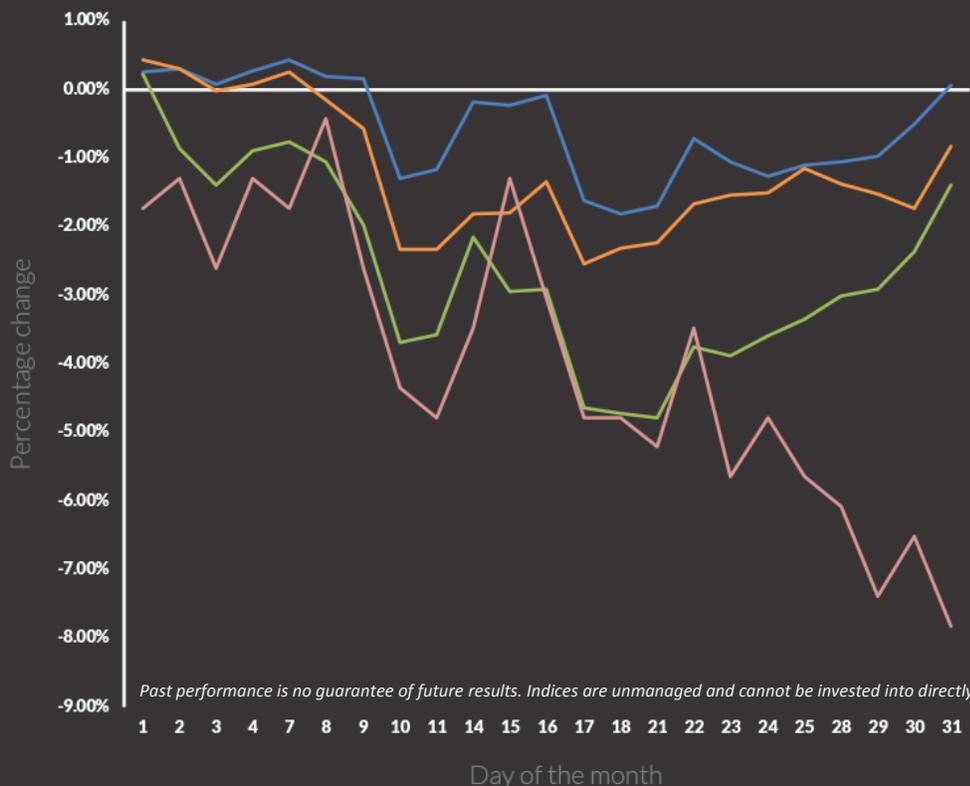
1,405.28 (-1.39%) ▼

International Large (NYSE International 100)

5,519.04 (-0.83%) ▼

U.S. Treasuries (U.S. 10-year Treasury yield rate)

2.12 (-7.83%) ▼



The market in action

- Venezuela is continuing to battle economic and political turmoil. The country's GDP has shrunk by about 35 percent since 2013. In comparison, in the four years spanning the duration of the Great Depression, the United States' GDP decreased by 28 percent.
- Boxing legend Floyd Mayweather faced off against MMA superstar Conor McGregor on August 26 in Las Vegas in what was declared "The Fight of the Century." Though the exact numbers have not yet been released, pay-per-view purchases are expected to surpass 4.6 million, resulting in an estimated \$500 million in revenue. Live gate for the monumental event could be as much as \$90 million.
- Walmart recently filed for a patent for a "floating warehouse" that would be used as a way for drones to more easily deliver to homes. This move is said to help Walmart bring down costs for consumers and to remain competitive in the increasingly crowded online shopping space.
- The second-largest Powerball in history, worth over \$700 million if the annuity option is exercised, was won in August. The odds of winning were roughly one in 292 million.
- Disney announced that it would be removing its movies from Netflix at the end of 2018. Disney then announced that it is planning on launching its own exclusive streaming platform, tentatively scheduled for 2019.
- Productivity in the United States in the second quarter grew more than projected. According to the US Labor Department, productivity rose by .9 percent, up from just .1 percent in the first quarter.
- The price of bitcoin, the most prominent cryptocurrency in the world, skyrocketed in August, increasing by over 100 percent in the weeks following a drop in value in mid-July.
- On its first day of being operated by Amazon, Whole Foods saw prices slashed by up to 43 percent.

Subscription Services & the Silver Screen

In recent years, subscription services have witnessed a meteoric rise in their prevalence in the market. Countless subscription-based services have been rolled out over the last few years, including services for food, clothing, books, and even treats for pets. In a tangible demonstration of the relevancy of subscription services, stock prices for Netflix rose by over 840 percent from the start of 2013 to the end of 2017.

Given the ubiquity of varying subscription services, it seemed like only a matter of time before this business model bled into how audiences consume movies not only in their homes but also in theatres. Recently, a subscription service for moviegoers has been at the forefront of the subscription-based service conversation – mostly stemming from the questions it is raising.

MoviePass subscription service

MoviePass – the subscription service aimed at moviegoers – has been gaining attraction in the news recently. MoviePass allows subscribers to see one movie per day for a fraction of what would be the total cost of paying for each of those movies. Though MoviePass has been in operation for several years, the increase in media coverage and word-of-mouth is due to the subscription price being cut by, in some cases, up to 80 percent.

Though MoviePass has only nine employees, a purported swarm of millions of potential customers overwhelmed the company's unprepared servers in early August. Word started to spread like wildfire on social media and news outlets about the MoviePass service and its potentially game-changing value for the consumer. However, AMC theatres – the largest movie theatre chain the world – denounced the service, claiming that it would harm the film industry as a whole.

How it works

MoviePass covers the cost of movie tickets for consumers by buying the tickets up-front. Because MoviePass is a privately owned and operated company, the exact number of individuals who are subscribed to MoviePass is unknown. However, a recent submission by

the company to the SEC claimed that there are over 150,000 subscribers to MoviePass as of mid-August; this number is expected to rise even higher after the frenzy surrounding the price drop.

All of this leads to the question: How exactly will MoviePass turn their current operation into a viable, profitable business model on a longer timeline? Consumers pay a relatively low amount for their subscription and are permitted to see one film per day, all while MoviePass covers the full cost of the tickets. Unless there is a significant amount of income from secondary or tertiary sources, the model itself is seemingly unsustainable.

Objections to the MoviePass model

Though AMC and MoviePass formed a partnership to test the feasibility of MoviePass in pilot cities in late 2014, AMC is now seeking legal action against MoviePass in an attempt to bar users from using the service at their locations.

In a statement to its investors, AMC claimed the MoviePass business model will lead to “ultimate disappointment down the road” for subscribers should MoviePass discontinue its services. AMC claims that the model will lead to financial issues for MoviePass and “will not provide sufficient revenue to operate quality theatres nor will it produce enough income to provide film makers with sufficient incentive to make great new movies.” Furthermore, AMC is planning on seeking a way to remove its own involvement in the service.

Looking ahead

It remains to be seen what sort of staying power MoviePass has given its current business model and what sort of future alterations it may make to stay profitable. What is certain, however, is that companies are recognizing the interest of consumers on a macro level – subscription-based services and unrivaled convenience. In the future, it may not be surprising to see this sort of model seep into other goods and services.

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