MacroMonitor Market Trends

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With the arrival of 2007 comes a new wave of **MacroMonitor** data: the **2006–07 MacroMonitor**. In our ongoing quest to provide you with the latest news about and insight into consumers' financial behaviors and attitudes, the Consumer Financial Decisions group is excited to introduce our monthly e-newsletter: **MacroMonitor Market Trends.** We will send future editions via e-mail only. To opt in to receive the **MacroMonitor Market Trends,** visit www.sric-bi.com/cfd/newsletter.shtml.

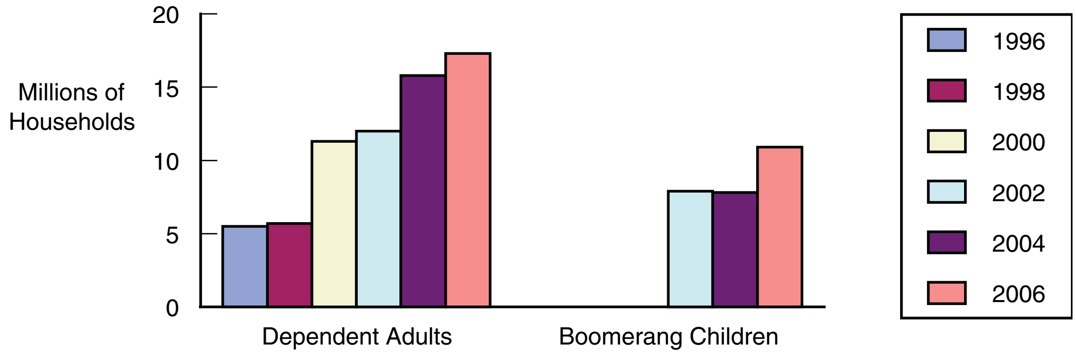
MacroMonitor Market Trends will highlight topical news and trends of interest to you and your colleagues. If you would like more information about the following talking points or would like to discuss other ways that we can assist you in your research and marketing efforts, contact Jonathan Gray or Chris Taylor at +1 609 734 2048.

IN THIS ISSUE

- In the past ten years, the number of households caring for dependent adults has increased from 5.5 million to more than 17 million.
- Gen X and Gen Y households are more likely than other Age Cohorts to own a Health Savings Account.
- Except for online banking, the allure of using the Internet for financial services appears to have faded among many consumers.

EXTENDED ADOLESCENCE, BOOMERANG KIDS, AND DEPENDENT ADULTS

Figure 1
HOUSEHOLDS WITH DEPENDENT ADULTS AND BOOMERANG "CHILDREN"



Source: **The MacroMonitor**

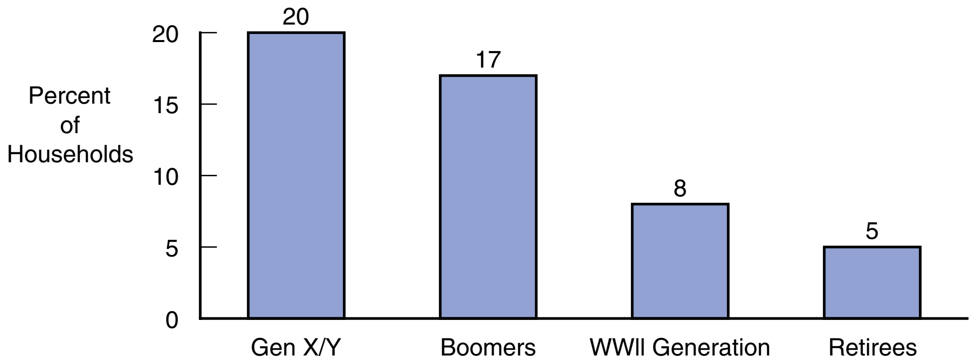
Since 1996, the number of households reporting that they are supporting "infirm, aged, disabled, or handicapped adults," has tripled. At the same time, more than 10 million households report they have "children who have returned to live with you but cannot be claimed as dependents on your household's tax returns." Add into this mixture a significant number of households that—although they do not totally support adults outside the home—are providing assistance in time or money or both to adults in their twenties or adults in their eighties or both. These numbers are significant, and they have a significant impact on households' abilities to afford their own necessities or luxuries, to save for retirement, or to achieve other household goals. For financial providers, these households present an opportunity to provide hybrid products that combine what people might otherwise consider to be divergent needs.

THE RISE OF HEALTH SAVINGS ACCOUNTS

In late December 2006, Congress enacted the Tax Relief and Health Care Act of 2006, which included a permanent rise in the contribution limits of Health Savings Accounts (HSAs) and gave individuals the ability to fund their HSAs through an IRA. In 2006, the **MacroMonitor** measured the incidence of HSAs for the first time.

HSAs have yet to show substantial market penetration: Only 5% of households own an account. The Age Cohort showing the largest penetration is the Baby Boomers, with 7% owning Health Savings Accounts, followed by Gen X/Y at 6%. Because HSAs by design couple with high-deductible medical plans, perhaps a better measure of real traction in the marketplace is the number of accounts relative to the number of comprehensive-medical plans. Using this measure, Gen X/Y leads the way, with a ratio of 20%, followed up by Boomers at 17%, WWII Generation at 8%, and Retirees at 5%.

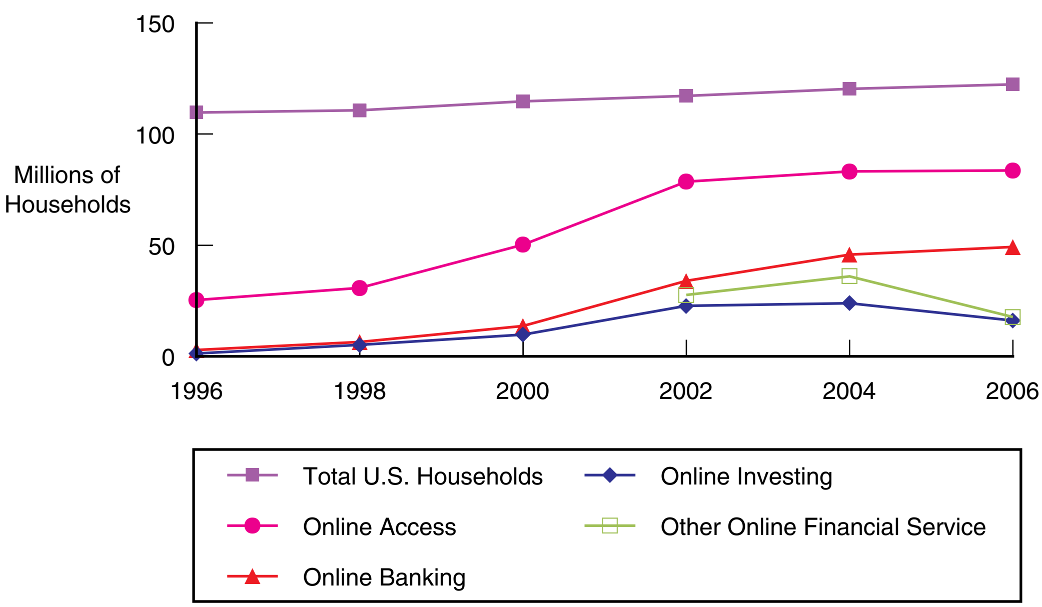
Figure 2
RATIO OF COMPREHENSIVE HEALTH PLANS TO HSAS



Source: **2006–07 MacroMonitor**

TRENDS IN INTERNET USE FOR FINANCIAL SERVICES

Figure 3
INTERNET TRENDS



Source: **The MacroMonitor**

The newly released **2006–07 MacroMonitor** survey results show several interesting shifts in household Internet use for financial services. In the past decade, the rise in Internet connectivity has been dramatic. In 1996, just 25.3 million households were online—a number that had exploded to nearly 80 million by 2002. However the data show that Internet penetration has leveled off since then, with a meager increase of 0.5% in the past two years. After growing slowly from 1996 to 2000, and then gaining acceptance rapidly between 2000 and 2004, online banking shows signs of reaching a plateau as well, gaining a modest average 3.5% per year in the past two years to reach a total of 49.1 million households. At the same time, the online-investing incidence reflects the lingering disenchantment among individual investors. Having leveled off at about 24 million households in 2004, the ranks of households investing online shrank by nearly one-third (32.8%) to some 16.1 million online investor households in 2006. The "Other Online Financial Services" segment contracted even more dramatically, with a decline of 51% in the past two years as consumers react to their early interactions with this ever-evolving medium for marketing, transactions, information, and advice.

