

Morgan Stanley

Annual Financial Report (2022)

RE: The Average Joe

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Morgan Stanley

09/11/2023

Dear Clients,

Enclosed is a mock financial report for the average American with the pseudonym 'Average Joe'. This is not a real individual, but rather a report put together for illustrative and educational purposes. We've gathered and consolidated data from multiple sources to give you a good picture of what sort of income, expenses, savings and liabilities Americans have.

One thing we want to make sure you are aware of is that averages aren't always representative of the majority. Averages can greatly be influenced and skewed by outliers. In fact, for many of these data points the median (50th percentile) is vastly different from the average. Where possible we will notate the median values in the footnotes. Numbers fluctuate wildly between different demographics including age groups, marital status, region, and income quintiles so please take the data with a grain of salt as the finances from one individual to another can greatly differ depending on any number of variables. If you would like to see any data on a more specific subset of individuals based on income, age, region, etc. please let us know.

To give you a bit of color and background on our 'Average Joe' we'll share with you his circumstances at home. Much of the data we gathered comes from the Bureau of Labor & Statistics' 2022 Consumer Expenditure Report which surveyed over 30,000 individuals and was published 09/08/2023. Here is where we find that 'Joe' lives in a household with 2.4 individuals (in our case, since you can't have a fraction of a person, we'll say he's married with one child). The average household has 1.3 earners – and so our Average Joe works full-time and his partner works part-time. The average household owns 1.9 vehicles, we'll round up and say they have two cars. And as for ages, Joe is 52 years old (the average age of the individuals surveyed). 65% of Americans own a home, and 58.5% of those homeowners carry a mortgage, so our 'Average Joe' will also own a home with a mortgage.

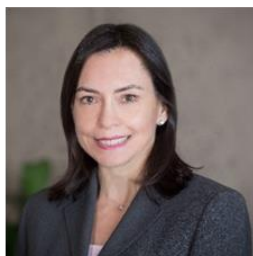
We hope you find this report interesting and should you have any questions about it, do not hesitate to reach out.

Sincerely,

The Balog Group



Anouchka Balog, CFP®
Financial Advisor



Rita Kikawa
Portfolio Associate



Christopher Mullery, CRPC®
Business Development Director



Steven Anderson, CFA® CFP®
Portfolio Management Assoc.



Barbara Collette
Senior Registered Assoc.

Visit our website at: <https://advisor.morganstanley.com/the-balog-group>
Connect with Anouchka on LinkedIn: <https://www.linkedin.com/in/anouchka-m-balog>

**The Average Joe
Balance Sheet
As of December 31, 2022**

Assets	Amount (\$)
Savings & CD's ^[1]	23,569.21
Stocks, Bonds &/or Mutual Funds ^[1]	31,776.53
Total Current Assets	55,345.74
Defined Contribution Plan (401k) ^{*[1]}	116,269.67
Total Retirement Assets	116,269.67
Car #1 (5 years old w/ 50k miles) ^[2]	28,381.00
Car #2 (10 years old w/ 100k miles) ^[2]	14,000.00
Other Financial Assets	8,195.14
Home Value ^{**[3]}	552,600.00
Total Non-Current Assets	603,176.14
Total Assets	774,791.55
Liabilities	
Credit Card ^[1]	2,206.07
Auto Loan on Car #1 ^[4]	14,401.04
Student Debt ^[1]	5,698.81
Mortgage ^[4]	168,537.11
Total Liabilities	190,843.03
Total Net Worth	583,948.52

Footnotes:

*The Median 401k balance stated in [Vanguard's 'How America Saves' Report from 2022](#) was only \$27,376.

**The Median sales price in 2022 Q4 according to the [Department of Housing and Urban Development](#) was \$479,500.

Sources & Disclosures:

1. [Bureau of Labor Statistics – Consumer Expenditure Report \(2022\)](#)
2. [Edmunds Used Vehicle Report \(2023-Q1\)](#)
3. [US Department of Housing and Urban Development \(2022-Q4\)](#)
4. [New York Fed – Household Debt and Credit Report \(2022-Q4\)](#) [Mortgages + HELOCs]

**This case study is hypothetical and presented for illustrative purposes only. The facts involved do not represent the actual experience of any specific client. Each client's situation is different and a client's experience and any recommendations made to a client will vary depending on the specific facts and circumstances involved. Past performance is no guarantee of future results. These strategies do not guarantee a profit or protect against loss and may not be appropriate for all investors.*

**The Average Joe
Cash Flow Statement
As of December 31, 2022**

Income	Monthly	Annual
Household Income Pre-Tax* ^[1]	7,834	94,003
Taxes ^[1]	901	10,808
Income Post-Tax^[1]	6,933	83,195
Expenses		
Housing Related ^[1]	2,025	24,298
Transportation Related ^[1]	1,025	12,295
Food Related ^[1]	779	9,343
Personal Insurance and Pensions ^[1]	729	8,742
Healthcare ^[1]	488	5,850
Entertainment ^[1]	288	3,458
Other Expenses ^[1]	748	8,981
Total Annual Expenditures^[1]	6,081	72,967
Net Cash Flow	852	10,228

Footnotes:

*The median individual's income from the [Census Bureau's 2022 'Income and Poverty in the United States' Report](#) was \$40,480 vs. the average of \$59,430^[2]

**The median family income from the Census data was \$92,750 vs. the average of \$126,500^[2]

^Our 'Average Joe' income was the average of all households in the Consumer Expenditure Report which includes both Single-earners and Multiple-earner households

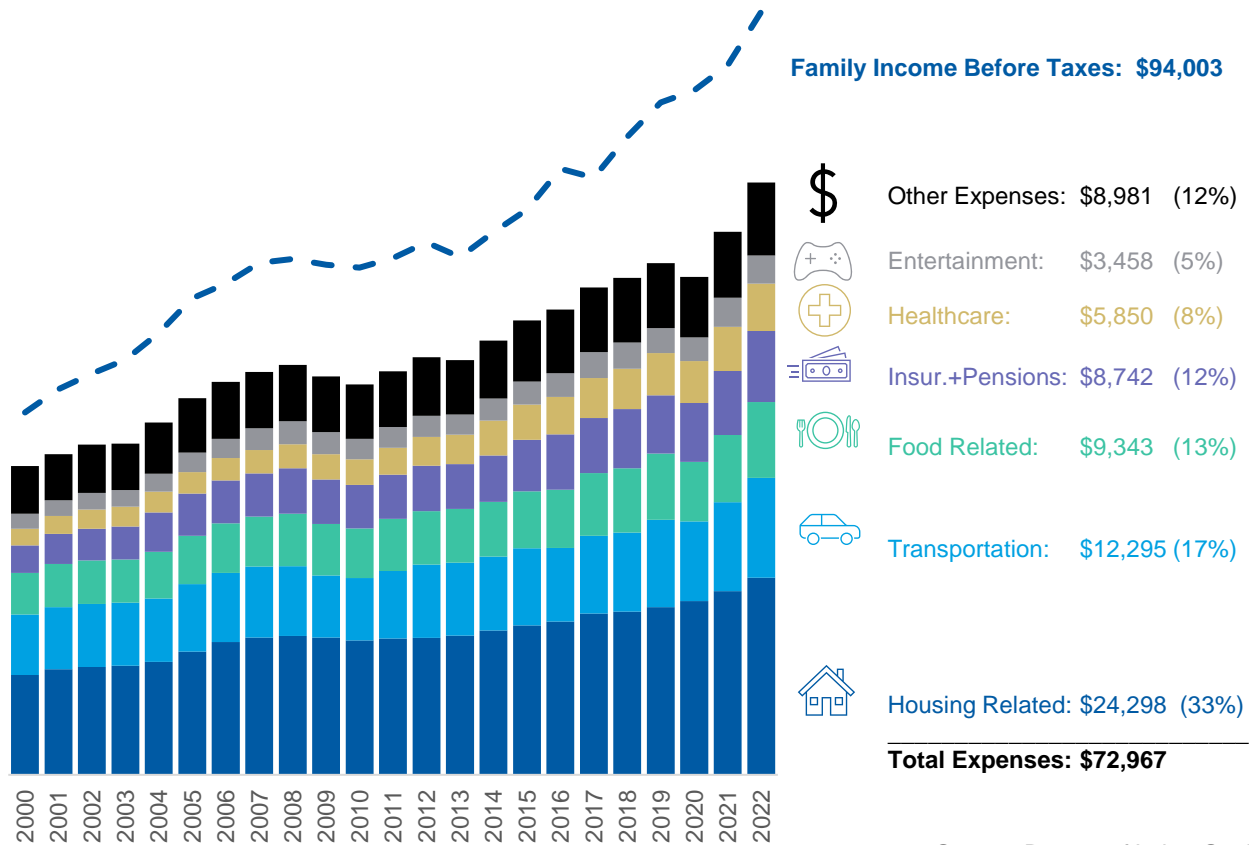
Sources & Disclosures:

- [Bureau of Labor Statistics – Consumer Expenditure Report \(2022\)](#)
- [Census Bureau – Income and Poverty in the United States \(2022\)](#)

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Annual Consumer Expenditure Report By Category (2000-2022)

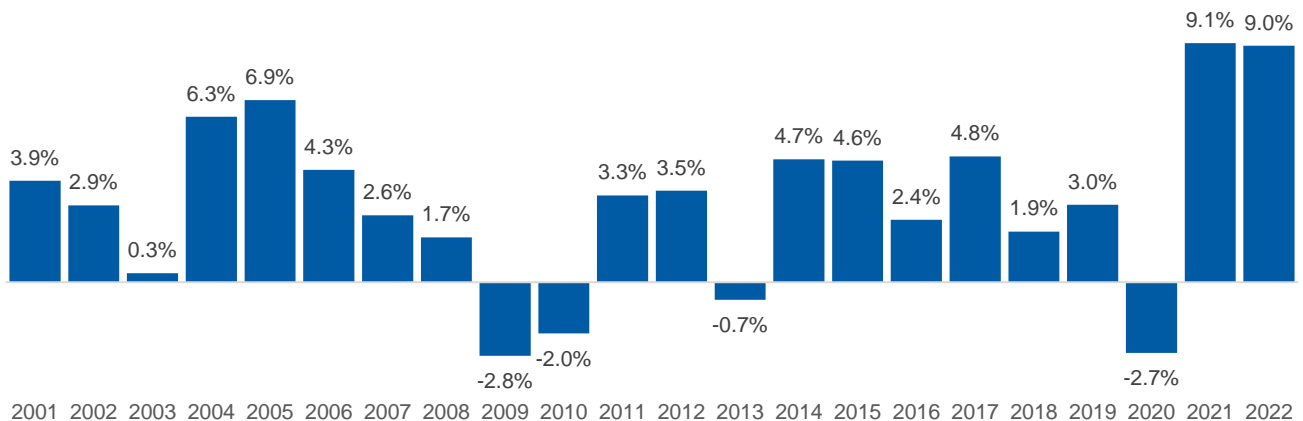
No real surprise here, housing makes up the biggest part of Americans' budgets. One takeaway we had from this report was that traveling isn't cheap and there may be a rather large benefit to living close to work or being able to telecommute.



Source: Bureau of Labor Statistics

Year-over-Year Changes in Expenditures

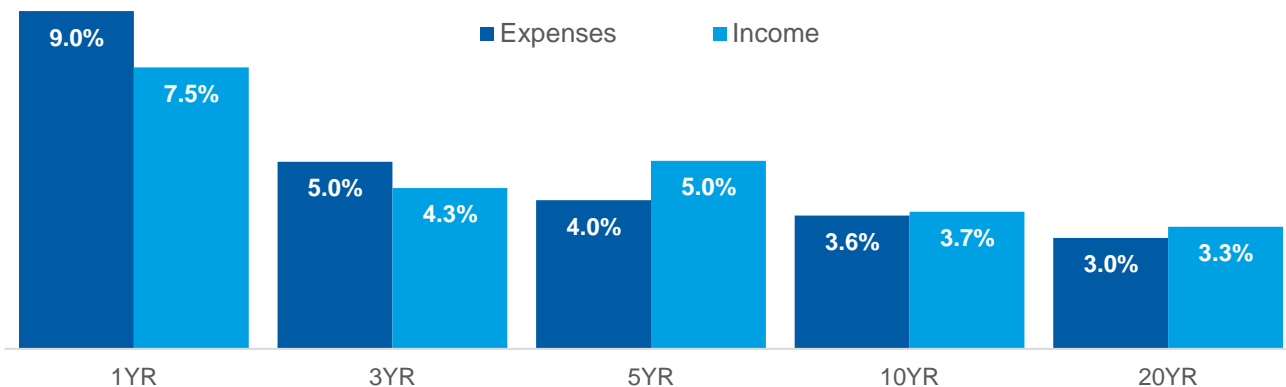
American wallets the last two years have been feeling the crunch as inflation has reared it's ugly head. Both 2021 and 2022 saw 9%+ increases. Americans did however have a lot of excess savings from 2020, and so far for 2023 inflation figures seem to be cooling off.



Source: Bureau of Labor Statistics

Annualized Growth of Income and Expenses

Incomes unfortunately have not kept up with expenses over the last 3 years. However, more recent moves don't jive with longer-term averages and so hopefully Americans can get back on track with their budgets soon.



Source: Bureau of Labor Statistics

Disclosures

Morgan Stanley Wealth Management is the trade name of Morgan Stanley Smith Barney LLC, a registered broker-dealer in the United States.

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NMLS#: 1282780
CA Insurance License #: 0A87150

28202 Cabot Road, Suite 500
Laguna Niguel, CA 92677
Direct: 949 365 5306

Morgan Stanley Smith Barney LLC. Member SIPC.
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