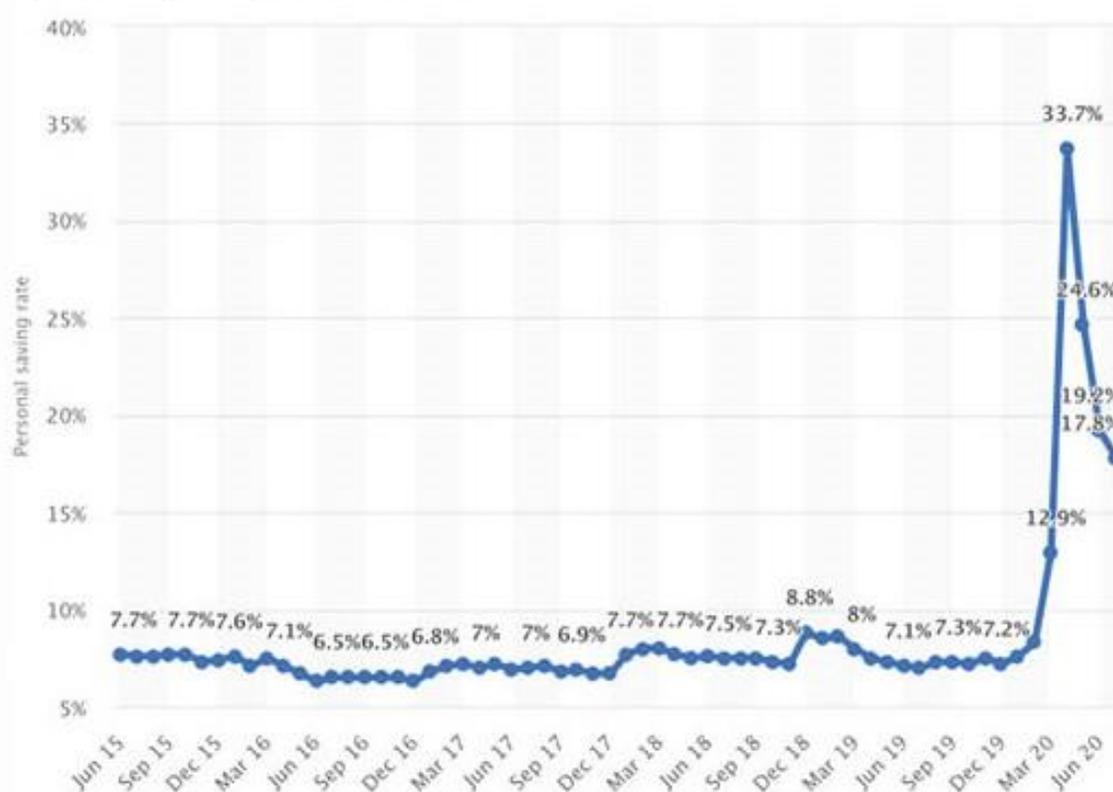


Pandemic Saving

One of the strangest statistics during the current pandemic is the remarkable change in the U.S. savings rate.

Americans—and perhaps people everywhere—tend to save more when they feel like the future is uncertain. As you can see from the chart, the U.S. personal savings rate (the aggregate ratio of personal saving to personal income) was well within normal bounds, running somewhere between 6.5% and 8% from June 2015 right up until COVID-19 started ramping up in March of this year. According to the U.S. Bureau of Economic Analysis, Americans responded to the threat by saving a remarkable 33.7% of their income in April, and the savings rate has remained above 17% since then.

U.S. Savings Rate since 2015



A second chart, showing longer-term data, makes the recent spike even more dramatic—basically like nothing the U.S. has ever seen before. As you might expect, during the spike, consumer spending fell 12.6%, and a Harvard-based

research group found that higher-income Americans were responsible for most of this decline. Interestingly, past spending cuts during past recessions tended to impact costly items like cars and homes. Today, spending has fallen most on services that require in-person interaction, like restaurants and hair salons.

U.S. Savings Rate since 1965



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

Deep inside, we know that there are many things that need fixing in America, from global warming to the still-unaddressed infrastructure to the constant horrifying, unexplainable examples of police brutality that show up on cell phone cameras. Meanwhile, the economic outlook is uncertain, and the U.S. government is breaking every record for deficits.

Not everybody thinks a higher savings rate is good news. Consumer spending accounts for almost 70% of the U.S. economy, so any decline in consumption could pose a risk to the U.S. economy's recovery.

Source:

<https://www.statista.com/statistics/246268/personal-savings-rate-in-the-united-states-by-month/>

<https://tradingeconomics.com/united-states/personal-savings>

<https://time.com/nextadvisor/banking/savings/us-saving-rate-soaring/>

About the advisor: Jeff Broadhurst is a wealth manager at Broadhurst Financial Advisors, Inc. He focuses on providing wealth management solutions to business owners and family stewards in the Philadelphia area. Together with his partners, he helps affluent clients address their five biggest concerns:

1. Preserving their wealth
2. Mitigating taxes
3. Taking care of their heirs
4. Ensuring their assets are not unjustly taken
5. Charitable giving.



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