HUFFMAN-MAYER
WEALTH MANAGEMENT GROUP
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How much should a senator make?

Phil Anderson – *Financial Consultant*

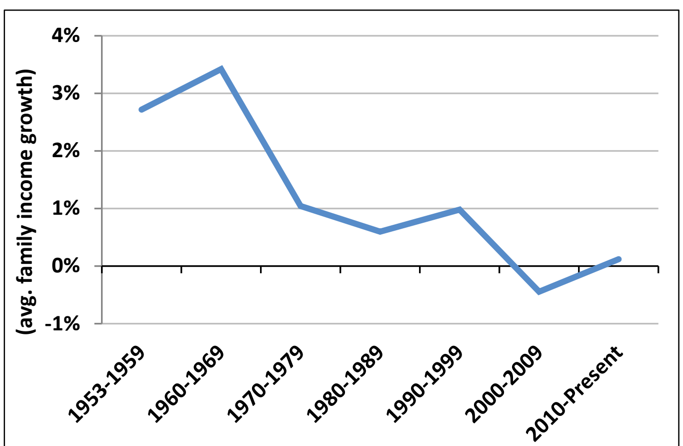
I was recently reading coverage of the 2016 Presidential Election, when a banner ad caught my attention. The ad said simply "Your Member of Congress is Overpaid." As banner ads occasionally do, this one led me down a bit of a rabbit hole. A few quick clicks and searches revealed this to be a widely held sentiment – there have been many articles written in the past few years, detailing American's dim view of the pay politicians receive and the job they do. Currently, about 80 percent of us do not approve of the job Congress is doing[1] and that number has not really changed much over the last decade.

Although they are generally viewed more favorably than the other two branches of our government, our assessment of the Supreme Court has also slipped in recent years, as 50 percent of Americans now say that they disapprove of how the highest court performs its job (according to a late 2015 Gallup poll). I think it's safe to say that a typical American thinks *at least one branch* of our Federal Government isn't doing so hot.

Upcoming Events

- **Heartwalk**
  October 1, 2016
  Huffman-Mayer Wealth Management Group is a supporter of the American Heart Association's premier event to save lives from this country's #1 and #5 killers, heart disease and stroke. We're walking to help build better lives. Join us at the Kent State Ashtabula Campus!

- **Financial Fitness Fair**
  November 12, 2016
  We are participating in the third annual Ashtabula Financial Fitness Fair. Due to its growth, the Fair is moving from Lakeside High School to the Kent State Ashtabula Campus. The event provides local people the opportunity to attend educational seminars focused on various financial topics.



Charts designed by Phil Anderson with data provided by FRB of St. Louis

However, in order to put the term "overpaid" in context, it is first important to look at what has been happening to pay for most people in our country over recent decades. In the United States, middle class incomes do not grow like they used to. Real income (adjusted for the effects of inflation) for an average U.S. family has risen by just 0.1 percent since 2010, and that was much better than the preceding decade, in which average U.S. incomes fell by 0.4 percent. There is much variation from year to year, but if you examine the long-term trend, U.S. family incomes have mostly gone in the wrong direction since the 1950s.[2]

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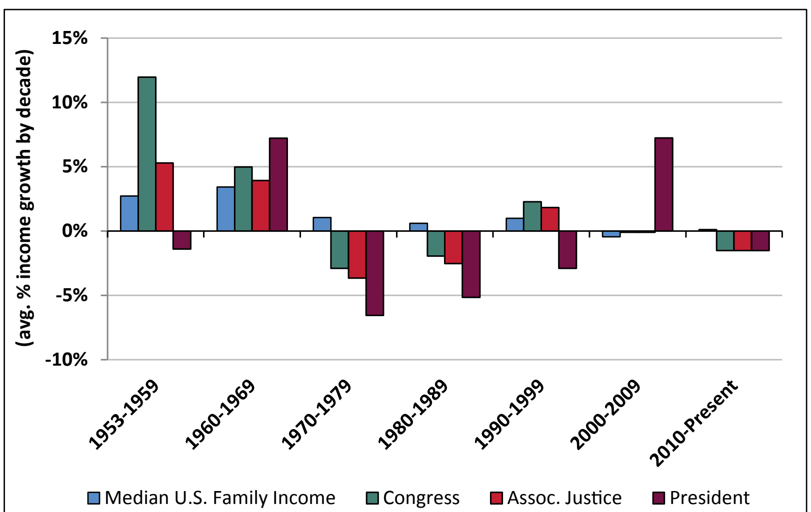
Before I dug into the numbers, my assumption was that pay for the political class trended in the same direction, but grew at a much faster clip than for a typical American. After all, some of these people get to vote for their own raises, right? Let me start with the disclaimer that our elected officials and justices get paid much better than an average person – the current salaries for the President, a Senator, and an Associate Supreme Court Justice are $400,000, $174,000, and $213,900, respectively.[3]

According to 2014 Census data that means landing any of these three jobs doesn't get you into the top 1 percent of U.S. incomes (although the President's pay easily qualifies if non-salary compensation is included). Given the travel, hours and stress, I suspect these are jobs that many of us wouldn't want even with a nice salary. So far, we've only discussed dollars, but what matters in the long run is growth. If you look at the growth rate in the incomes for these three jobs, the politicians have been "feeling our pain" to quote a certain former President.

According to data from the Federal Reserve Bank of St. Louis, in the 1950s and 1960s when average family incomes were growing in the 2 – 4 percent range, politicians did even better, hauling in raises that averaged better than 5 percent as a group. Then, around 1970, things changed. During the 70s and 80s, family incomes grew at just under 1.0 percent, whereas real incomes for federal officials fell by close to 4.0 percent per year. In the 1990s, incomes grew a little faster across the board, with the exception of the President's salary, which still declined by close to 3 percent per year. More recently income growth for families has been basically flat, while politicians have continued to see slight contraction (with the exception of a raise from $200,000 to $400,000 for the President in 2001, which sticks out in the chart below).



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The President, Congress and Supreme Court make great incomes when compared to average Americans, but not so when compared with many of the high-paying jobs that many of these people have realistic opportunities to land. So far, we've only looked at income and growth since the 1950s, but to get a real sense of how we used to value these jobs you have to look further back. George Washington was paid a salary of $25,000 per year as President, equivalent to roughly $640,000 in today's dollars[4]. Shortly after the Civil War, Ulysses S. Grant received a salary of $50,000[5], or roughly $1,000,000 per year by today's standards. Even adjusted for inflation, our legislators and jurists never made close to that amount, but in the past those jobs also paid one-and-a-half to two times what they pay today. Combined, we pay our President, Vice President, all Senators, all members of the U.S. House, and all Supreme Court Justices about 0.003 percent of the Federal budget[6]. At least compared with history, it's hard to argue that today's politicians are overpaid.

[1] Source: Real Clear Politics Congressional Job Approval poll average
[2] Source: Federal Reserve Bank of St. Louis
[3] Source: U.S. Office of Personnel Management; National Taxpayers Union Foundation
[4] Source: Federal Reserve Bank of St. Louis; www.mountvernon.org
[5] Source: Federal Reserve Bank of St. Louis; www.slate.com "A Presidential Salary FAQ"
[6] Source: Congressional Budget Office, Federal Reserve Bank of St. Louis

Mayer, Richards support Big Brothers Big Sisters of Northeast Ohio

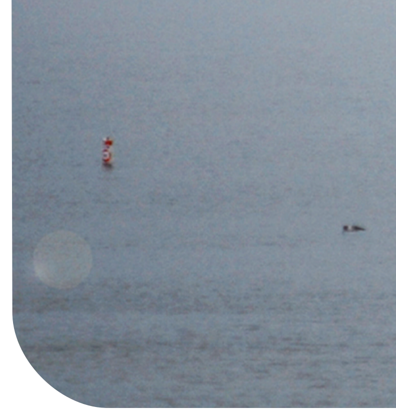
This summer, Managing Director – Investment Officer James E. Mayer, Jr. and Financial Consultant Ryan Richards took part in a golf outing to raise funds for Big Brothers Big Sisters of Northeast Ohio. The foursome finished in first place at the outing, which was held at Kirtland Country Club. All of the funds raised stay with the Northeast Ohio Chapter, which includes Ashtabula, Lake and Geauga Counties. (L-R: Tim Viands, Ryan Richards, Joel DiMare and James E. Mayer, Jr.)

Anderson attends Pinnacle Conference

In June, Financial Consultant Phillip Anderson attended the Wells Fargo Advisors 2016 Pinnacle Conference for an elite group of Financial Advisors focused on advanced management professional development. Sessions provided access to industry leading experts in financial services and other related areas. The meeting offers the opportunity for networking with peers facing similar day-to-day challenges.

Mayer celebrates Cavs championship

When the Cleveland Cavaliers won the NBA Championship, James E. Mayer, Jr. and his client, Randy Trice, celebrated by having their photo taken with the Larry O'Brien Championship Trophy. Mayer and Trice are Cavaliers season ticket holders at Quicken Loans Arena. (L-R: Randy Trice, James E. Mayer, Jr.)



Investing vs. Paying Off Debt: The debt dilemma

The process for eliminating debt is anything but an easy-to-solve financial equation. Many people wonder if they should pay off their debt as quickly as possible or invest their money, letting debt payments run their course.

The answer depends on whom you ask. Theories about balancing investing with debt vary widely. Some financial experts say freedom from debt is the most important goal. Others say it's more about the math: Your money should go toward investing if your investments earn a higher rate of return than your debts cost you. Still others focus on the emotional aspect: how comfortable are you with a certain level of debt?

If you're like most people, you'll need to manage finances for both present and future needs. That means paying off some debt today while simultaneously investing with an eye on the future. Although your decisions should take into account your own needs and circumstances, consider the following guidelines for handling debt in light of investing goals:

Save for a rainy day. Before paying down debt (beyond required payments) or settling on an investment strategy, make it your first priority to put funds aside for an emergency reserve. We recommend six months or more of living expenses; an absolute minimum is three months' worth. These funds should be in traditional savings or very short-term, highly liquid, non-volatile investments.

Your future first. As a general rule, your long-term investment plan should take priority over applying extra amounts toward debt.

By contributing to a long-term investment plan as early as possible, you may set yourself up for a brighter future. If paying down debt is also a priority, you'll want to examine your personal budget to decide how much to direct each month toward investing and how much toward debt repayment.

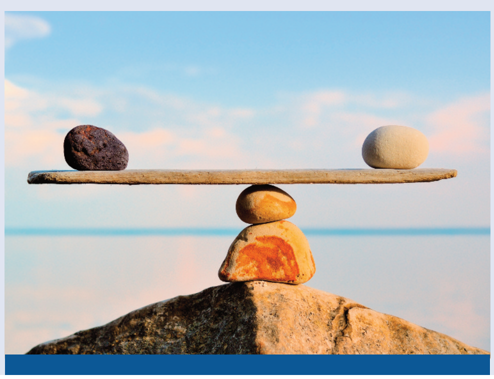
Just remember, there are no magic numbers. In general, the best advice is to make sure your investment strategy fits your financial expectations for the future.

Prioritize your debts. With an emergency fund in place and your investment strategy up and running, putting any extra money toward your debts is also a smart way to go. But how do you decide which debts to pay down first?

One approach is to start with the smallest debts first to eliminate at least some of your debt burden and interest payments in a timely manner. It also makes sense to pay off high-interest debts like private student loans and credit card debt more quickly.

Federal student loans and mortgages might be lower priorities, because their rates are often lower and their terms are longer. Vehicle loans might fall somewhere in the middle. Tax considerations might also come into play.

It's personal. As you divide and conquer debt, don't forget to consider the emotional side of your strategy. If paying off a certain debt will help you feel more secure, you might want to go with your gut feeling.



You'll enjoy a growing sense of financial freedom as you stay on course and get your debt under control. As it shrinks over time, you may find you have more funds available for enjoying the present and focusing on the future.

This article was written by Wells Fargo Advisors and provided courtesy of James E. Mayer, Jr., Managing Director – Investments, Branch Manager, Ashtabula, Ohio. [95303-v1]

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