

Noteworthy Benefits for New Clients Who Join the InCharge® Debt Solutions Debt Management Program

Prepared by Benoit Sorhaindo and E. Thomas Garman

Introduction

Substantial empirical evidence shows that overly indebted people are often seriously distressed about their personal finances. This description fits almost all the people who join the debt management program of InCharge® Debt Solutions. InCharge credit counselors have commented that they believe that many overly indebted new credit counseling clients who join a debt management program immediately gain by a reduction in their distress about personal financial matters. Serious financial strain can negatively affect one's personal life, marriage, family relationships, and work life. Little empirical research exists, however, to document the benefits. This report describes some noteworthy benefits reported by financially distressed consumers who recently signed up for the InCharge debt management program. The respondents were clients for two, three or four months, thus the benefits and implications can be stated as having occurred within four months of each person becoming an InCharge credit counseling client. The findings in this report pertain to "new" credit counseling clients.

Purpose and Findings

InCharge Education Foundation (ICEF) conducted the study, and its purpose was to examine selected variables of a large national sample of financially distressed new clients soon after they joined a debt management program. The six questions asked are presented, together with the findings. The number in the questionnaire associated with each question is shown together with the number of responses.

1. "What do you feel is the level of your financial stress today?" See Table 1; Variable 1_4; N=2,870.

Virtually all (98.43%) of the new debt management program clients report varying levels of financial stress, and only two percent (1.57%) reported none. One in eight (11.74%) new credit counseling clients reported low financial stress. Half (51.29%) reported feeling moderate stress about their personal finances, a quarter (23.00%) noted they were feeling severe stress, and one in eight (12.40%) observed that they were feeling overwhelming stress about their personal finances.

Table 1 (V1_4) Level of Stress Today				
Level of Financial Stress	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Overwhelming	356	12.40	356	12.40
Severe	660	23.00	1016	35.40
Moderate	1472	51.29	2488	86.69
Low	337	11.74	2825	98.43
None	45	1.57	2870	100.00

2. *“Since you joined InCharge Debt Solutions, has your health improved?”* See Table 2; Variable 17_4; N=2,881.

Half (47.83%) of all new financially distressed InCharge Debt Solutions credit counseling clients report that their health has improved since joining the debt management program.

Table 2 (V17_4) Has Health Improved				
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No	1503	52.17	1503	52.17
Yes	1378	47.83	2881	100.00

3. *“Since you joined InCharge Debt Solutions, has your life at work improved?”* See Variable V20_4, N=2,618.

Almost half (44.58%) of all new financially distressed InCharge Debt Solutions credit counseling clients report that their work life has improved since joining the debt management program.

Table 3 (V20_4) Has Your Work Life Improved				
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No	1451	55.42	1451	55.42
Yes	1167	44.58	2618	100.00

4. ***“Since you joined InCharge Debt Solutions, did anything happen in your life that improved your personal financial situation?”*** See Table 4, Variable 31_A_4, N=3,072; Table 5, Variables V31_B_4, V31_C_4, V31_D_4, V31_E_4, V31_F_4, V31_G_4, V31_H_4, V31_I_4, V31_J_4, and V31_K_4, maximum N is 2,064.

Two-thirds (67.19%) of the financially distressed new credit counseling clients reported that “yes,” something happened in their lives that improved their personal finances, as shown in Table 4. One-third (32.81%) noted “no” as a response. Of those who gave a positive response (N=2,064), as shown in Table 5, the two most frequently cited responses received were “help from InCharge Debt Solutions” (73.89%) and “reduced or paid off some debts” (68.17%). Other items marked by substantive numbers were “received an increase in salary or wage” (16.81%), “found a better paying job” (5.86%), and “partner received salary/wage increase” (5.81%).

Table 4 (V31_4A) Did Anything Happen That Improved One's Personal Finances				
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No	1008	32.81	1008	32.81
Yes	2064	67.19	2064	100.00

Table 5 (V31_4. B, C, D, E, F, G, H, I, J, K) Things That Happened To Improve Personal Finances				
	Frequency	Percent of Yes (N=2,064)		
Help from InCharge Debt Solutions	1525	73.89		
Reduced or paid off some debts	1407	68.17		
Received increase in salary or wage	347	16.81		
Found a better paying job	121	5.86		
My partner received salary/wage increase	120	5.81		
Refinanced home mortgage	113	5.47		
My partner found a better paying job	66	3.20		
Health or day-care flex account at work	20	0.01		
Filed bankruptcy	14	0.01		
Other	160	7.75		

5. ***“What financial behaviors have you accomplished since you became a InCharge Debt Solutions client?”*** See Table 6, Variables V2_4, V3_4, V4_4, V5_4, V6_4, V7_4, V8_4, V9_4, and V_10_4; maximum N=3,079.

Nine out of ten (89.28%) new credit counseling clients reported that since they became an InCharge client they had reduced some of their personal debts. Eight out of ten (79.70%) reported they had cut down on living expenses since joining the program, and three-quarters (75.06%) reported they now follow a budget or spending plan. Two-thirds (67.55%) of new clients have developed a plan for their financial future, and four in ten (39.04%) have started or increased their savings. Since becoming an InCharge client, one-third (34.69%) have tried to determine how much they will need to live comfortably in retirement, and one-third (33.84%) have contributed to their employer’s retirement plan. One-fifth (18.64%) of new credit counseling clients report that they now participate in and contribute to their employer’s pre-tax dependent care or health care program, and one-fifth (17.57%) have contacted a financial planner.

Table 6 (V2_4, V3_4, V4_4, V5_4, V6_4, V7_4, V8_4, V9_4, and V10_4) Financial Behaviors Accomplished Since Becoming a Client				
	Frequency	Percent of Yes (N=3,079)		
Reduced some of my personal debts	2749	89.28		
Cut down on living expenses	2454	79.70		
Followed a budget or spending plan	2311	75.06		
Developed a plan for my financial future	2080	67.55		
Started or increased my savings	1202	39.04		
Tried to determine how much I will need to live comfortably in retirement	1068	34.69		
Contributed to my employer's retirement plan	1042	33.84		
Participated in and contributed money to a pre-tax dependent care or health care program	574	18.64		
Contacted a financial planner	541	17.57		

6. *“On the whole, how would you characterize your financial behaviors?”* See Table 7, Variables V11_4; maximum N=3,040.

One-quarter (23.16%) new credit counseling clients report that they would characterize their own personal financial behaviors as poor. Six in ten (57.34%) report their financial behaviors as satisfactory. One-quarter (19.50%) of new clients describe their overall financial behaviors as good (17.43%) or very good (2.07%).

Table 7 (V11_4) Characterization of Overall Financial Behaviors				
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Very good	63	2.07	63	2.07
Good	530	17.43	593	19.51
Satisfactory	1743	57.34	2336	76.84
Poor	704	23.16	3040	100.00

Methodology and Data

The data for this study were collected from a national population of overly indebted and financially distressed clients of a large non-profit credit counseling organization, InCharge[®] Debt Solutions, who telephoned seeking assistance with managing their debts during February, March and April 2003. Data were collected in June, thus the respondents were clients for two, three or four months.

The average age was 39 years, and they had an average debt load of 20 percent. A debt-to-income ratio is calculated by dividing monthly minimum debt payments (excluding mortgage or rent) by monthly income. The higher the ratio is the riskier the likelihood of an inability to repay debts.

A questionnaire was mailed to a random sample of 7,200 of the 7,818 who enrolled in a debt management program. Six percent (443/7,200) were returned as undeliverable, usually because of an incomplete address, a person moved without providing a forwarding address, or the person was deceased. The resulting sample was 6,757 and of those 3,131 respondents returned useable questionnaires. This 46 percent response rate was more than twice the return of previous studies of similar populations.

Males comprised 31% of the clients and 69% were female, which is a typical distribution of gender for credit counseling clients. Approximately six in 10 (64%) were either married (54%) or living with a partner (10%), and 36% were unmarried. Their median annual family income was between \$30,001 and \$40,000. Four out of five (79.58%) were employed, and of those 85% were working full-time.

The respondents reported their feelings about their personal finances for retirement as very insecure (32%), somewhat insecure (37%), somewhat secure (28%), or very secure (3%). The respondents reported their health as very good (23%), good (44%), satisfactory (26%), or poor (7%). Their family relationships were noted as being very good (37%), good (42%), satisfactory (17%) or poor (3%). They reported their life at work as very good (24%), good (50%), satisfactory (21%), or poor (5%). When asked about their intentions to quit or leave their primary job within the next 12 months, the respondents either disagreed (79%), tend to disagree (8%), tend to agree (7%), or agreed (6%) with the statement.