



INCHARGE[®]

EDUCATION FOUNDATION

**2 ND QUARTER 2006 ICEF SPECIAL
REPORT**

AMERICA CHARGES

***An In-depth Look at Who's Putting It All
On Credit***



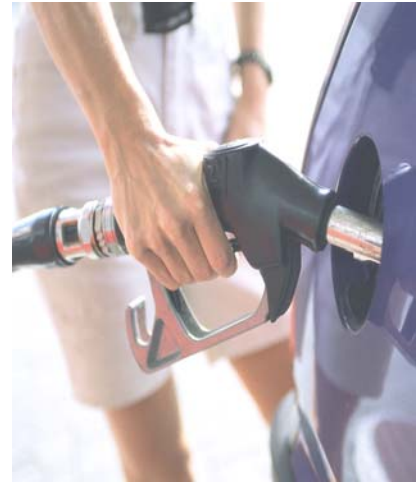
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Background

WASHINGTON -- Borrowing by U.S. consumers unexpectedly accelerated in June as credit card debt jumped, according to a Federal Reserve report released Monday. Revolving debt, such as credit cards, rose by 9.8 percent, or \$6.65 billion, in June [2006], after jumping 11 percent, or \$7.42 billion, in May. In May, consumer debt increased by a revised \$5.88 billion, and the two-month increase was the biggest since September-October 2004.

Americans are making greater use of their credit cards to finance purchases because rising interest rates and a cooling housing market make it harder for them to take out home-equity loans.

Higher prices at filling stations are also prompting consumers to take on more debt, economists said. "The jump in consumer credit coming at a time when consumers are hard-hit by soaring gasoline costs could indicate some financial woes on the part of borrowers," said Chris Rupkey, an economist at Bank of Tokyo-Mitsubishi UFJ Ltd. in New York. "It looks as if consumers are relying more on credit cards now that other avenues of credit such as mortgage refinancing have been shut off to them."



---Excerpt from Bloomberg News: Credit Use on the Rise
Published August 8, 2006 in the Chicago Tribune

Introduction

In the InCharge Education Foundation 2nd Quarter '06 Pulse of America survey, America revealed that overall, credit cards have become an indispensable part of life. This report will examine the presence and frequency of using credit cards to pay for basic living expenses in America today, and its effects on the personal finances of its people.

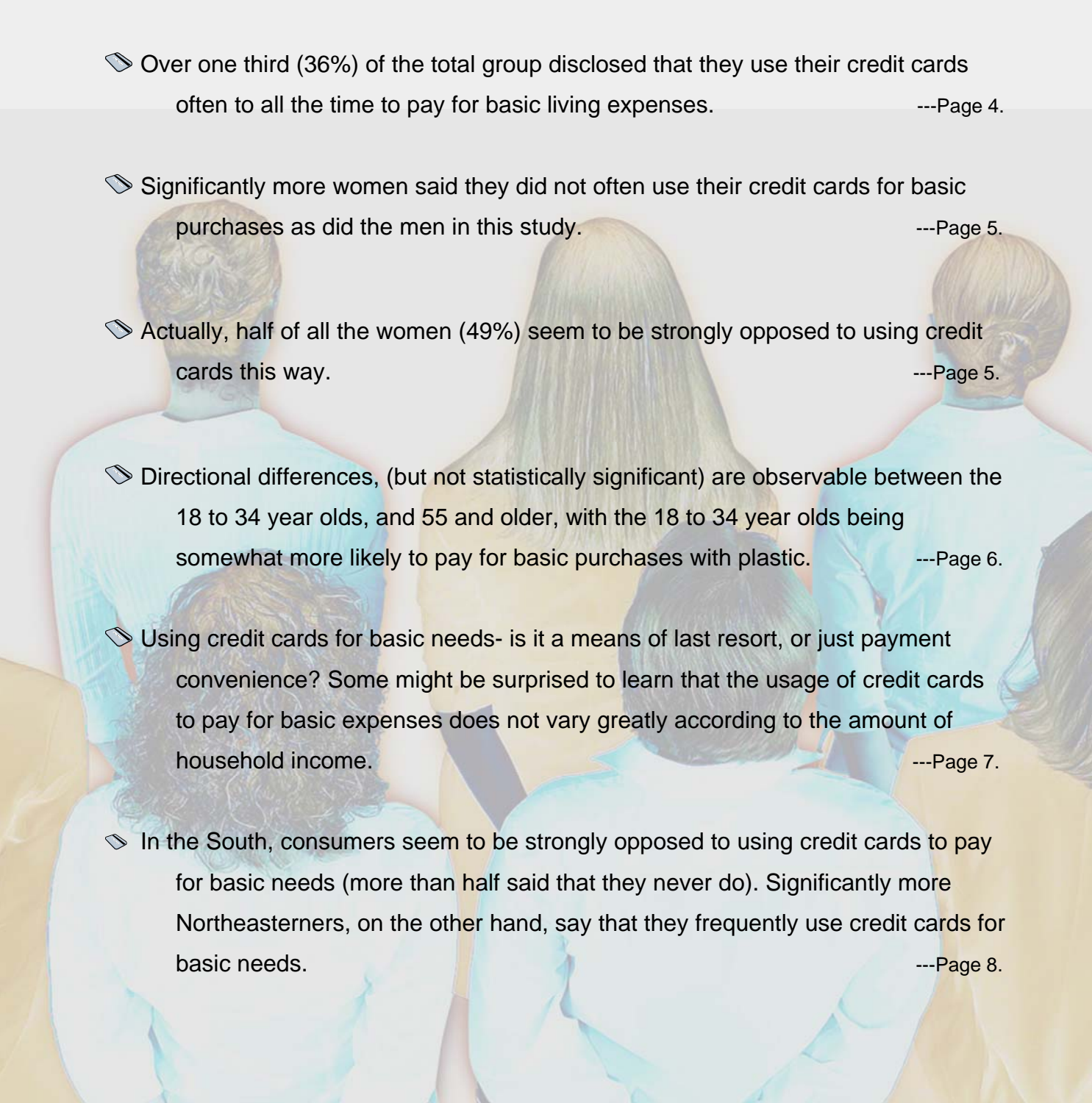
Purpose

InCharge Education Foundation decided to include special questions in its' 2nd Quarter 2006 Omnibus Study, in order to better understand how and to what extent the American people's personal finances have been affected as a result of paying for basic expenses with their credit cards.

InCharge Education Foundation (ICEF) commissions a quarterly, nationally –representative telephone survey to track the current economic and financial issues Americans face, and to measure how well consumers feel they are managing both financially and emotionally.

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Highlights of Findings:

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- A background image showing the backs of several people, likely a group of consumers, in a light blue and yellow color palette. The image is semi-transparent and serves as a backdrop for the text.
- Over one third (36%) of the total group disclosed that they use their credit cards often to all the time to pay for basic living expenses. ---Page 4.
 - Significantly more women said they did not often use their credit cards for basic purchases as did the men in this study. ---Page 5.
 - Actually, half of all the women (49%) seem to be strongly opposed to using credit cards this way. ---Page 5.
 - Directional differences, (but not statistically significant) are observable between the 18 to 34 year olds, and 55 and older, with the 18 to 34 year olds being somewhat more likely to pay for basic purchases with plastic. ---Page 6.
 - Using credit cards for basic needs- is it a means of last resort, or just payment convenience? Some might be surprised to learn that the usage of credit cards to pay for basic expenses does not vary greatly according to the amount of household income. ---Page 7.
 - In the South, consumers seem to be strongly opposed to using credit cards to pay for basic needs (more than half said that they never do). Significantly more Northeasterners, on the other hand, say that they frequently use credit cards for basic needs. ---Page 8.

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Question 1: Use of Credit Cards to Buy Basic Needs

**1_4. On a scale of one to ten, how often do you use credit cards to pay for basic living expenses?
One means 'All the time', ten means 'never'.**

See Table 1; Variable ic1s_4; N=996.

Table 1 (Vic1s_4) You use credit cards to pay for basic living expenses				
	Frequency	Percent	Cumulative Frequency	Cumulative Percent
(You use credit cards to pay for basic living expenses)				
All the time (range 1, 2, 3, 4)	352	36%	352	36%
Mid scale (range 5,6)	74	7%	426	43%
Never (range 10, 9, 8, 7)	565	57%	996	100%
Average Rating:	6.4			

In this study, nearly six in ten (57%) tended towards the “never” end of scale (an answer of 10, 9, 8, or 7) in describing how often they use credit cards to purchase basic expenses. Very few (7%) chose responses in the mid range of the scale (a response of 5 or 6). Over one third (36%) disclosed that they use their credit cards often to all the time (a response of 1, 2, 3, or 4) to pay for basic living expenses.

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1_4. On a scale of one to ten, how often do you use credit cards to pay for basic living expenses?
One means 'All the time', ten means 'never'.

Table 2: Credit for Basics by Gender

	Gender		
	Total	Male	Female
	A	B	
Count	992	476	516
You use credit cards to pay for basic living expenses			
10 - Never	445 45%	193 41%	251 49% A
9	56 6%	24 5%	32 6%
8	46 5%	21 4%	26 5%
7	18 2%	12 2%	6 1%
6	6 1%	2 0%	5 1%
5	68 7%	42 9% B	26 5%
4	25 3%	20 4% B	5 1%
3	43 4%	22 5%	21 4%
2	38 4%	23 5%	15 3%
1 - All the time	245 25%	118 25%	127 25%
Summary			
Never (range 10, 9, 8, 7)	565 57%	250 52%	316 61% A
Mid2Box (5-6)	74 7%	43 9%	31 6%
All the time (range 1, 2, 3, 4)	352 36%	183 38%	169 33%
Mean	6.4	6.1	6.7 A

Significantly more women said they did not often use their credit cards for basic purchases as did the men in this study. Six in ten women (61%) gave responses between 7 and 10, compared to just over half of the men (52%). Actually, half of all the women (49%) seem to be strongly opposed to using credit cards this way, as evidenced by their extreme rating of "Never" (10).

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1_4. On a scale of one to ten, how often do you use credit cards to pay for basic living expenses?
One means 'All the time', ten means 'never'.

Table 3: Credit for Basics by Age

	Total	Age		
		18-34	35-54	55+
		C	D	E
Count	996	305	381	290
You use credit cards to pay for basic living expenses				
10 - Never	556 56%	166 54%	212 56%	167 57%
9	36 4%	12 4%	14 4%	11 4%
8	37 4%	6 2%	16 4%	15 5%
7	7 1%	1 0%	3 1%	2 1%
6	15 2%	5 2%	6 2%	4 1%
5	46 5%	17 5%	16 4%	13 5%
4	18 2%	7 2%	7 2%	3 1%
3	16 2%	3 1%	5 1%	7 2%
2	30 3%	12 4%	9 2%	8 3%
1 - All the time	236 24%	76 25%	93 24%	60 21%
Summary				
Never (range 10, 9, 8, 7)	635 64%	185 61%	245 64%	194 67%
Mid2Box (5-6)	61 6%	22 7%	22 6%	17 6%
All the time (range 1, 2, 3, 4)	300 30%	98 32%	115 30%	79 27%
Mean	7	6.8	7	7.2

When comparing the responses of selected age groups to the overall groups' average ratings, credit card usage for basic needs does not vary significantly according to age. Directional differences, however, are observable between the 18 to 34 year olds, and 55 and older, with the 18 to 34 year olds being somewhat more likely to pay for basic purchases with plastic.

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1_4. On a scale of one to ten, how often do you use credit cards to pay for basic living expenses?
One means 'All the time', ten means 'never'.

Table 4: Credit For Basics by Income

	Total	Household Income		
		Under \$25K	\$25K- <\$50K	\$50K+
		F	G	H
Count	992	226	217	374
You use credit cards to pay for basic living expenses				
10 - Never	445 45%	110 49%	92 42%	164 44%
9	56 6%	5 2%	12 5%	30 8% F
8	46 5%	9 4%	13 6%	16 4%
7	18 2%	3 1%	6 3%	7 2%
6	6 1%	1 0%	2 1%	3 1%
5	68 7%	15 7%	15 7%	29 8%
4	25 3%	10 5%	3 1%	8 2%
3	43 4%	4 2%	9 4%	20 5%
2	38 4%	6 2%	8 4%	19 5%
1 - All the time	245 25%	62 27%	57 26%	77 21%
Summary				
Never (range 10, 9, 8, 7)	565 57%	128 57%	123 57%	217 58%
Mid2Box (5-6)	74 7%	16 7%	17 8%	32 9%
All the time (range 1, 2, 3, 4)	352 36%	82 36%	77 35%	125 33%
Mean	6.4	6.4	6.3	6.6

Using credit cards for basic needs- is it a means of last resort, or just payment convenience? Some might be surprised to learn that the usage of credit cards to pay for basic expenses does not vary greatly according to the amount of household income. One aspect that can't be determined by these responses is what percentage of each of these income groups carry over a balance on their credit cards from month to month. A possibility for future study is combining this question with a question about carrying a balance from month to month, to better understand the motivations for paying for basic needs with credit.

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1_4. On a scale of one to ten, how often do you use credit cards to pay for basic living expenses?
One means 'All the time', ten means 'never'.

Table 5: Credit For Basics by Region

	Total	Region			
		Northeast	Midwest	South	West
		I	J	K	L
Count	992	193	226	353	220
You use credit cards to pay for basic living expenses					
10 - Never	445 45%	71 37%	95 42%	184 52% I JL	94 43%
9	56 6%	13 7%	20 9% K	13 4%	10 5%
8	46 5%	5 3%	7 3%	18 5%	16 7%
7	18 2%	4 2%	3 1%	6 2%	6 2%
6	6 1%	2 1%	1 0%	1 0%	3 1%
5	68 7%	14 7%	20 9% K	13 4%	20 9% K
4	25 3%	4 2%	5 2%	9 3%	7 3%
3	43 4%	12 6%	10 4%	13 4%	8 4%
2	38 4%	17 9% KL	8 4%	7 2%	6 3%
1 - All the time	245 25%	50 26%	57 25%	89 25%	50 23%
Summary					
Never (range 10, 9, 8, 7)	565 57%	94 49%	125 55%	221 63% I	126 57%
Mid2Box (5-6)	74 7%	16 8%	21 9% K	14 4%	24 11% K
All the time (range 1, 2, 3, 4)	352 36%	83 43% L	80 35%	118 33%	71 32%
Mean	6.4	5.8	6.4	6.8 I	6.5

Across America, regional differences in the way credit cards are used are easy to spot. In the South, consumers seem to be strongly opposed to using credit cards to pay for basic needs (more than half said "Never"). Northeasterners, on the other hand, lean towards the opposing end of the scale, with significantly more (43%) saying that they use credit cards for basic needs frequently to all the time (gave a response of 7, 8, 9, 10).

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ATTACHMENT I.

PERSONAL FINANCIAL ATTITUDES STUDY

Interview Outline

1. On a scale of one to ten, how often does each of the following financial situations occur in your life? One means 'All the time'; ten means 'never'. From one to ten how often do ... [INSERT ITEM]?

- You worry about being able to meet normal monthly living expenses.
- You want to go out to eat, go to a movie, or other social activity and don't because you can't afford to.
- You find yourself just getting by financially and living paycheck to paycheck
- You or someone else in your household spends money on any form of gambling
- **You use credit cards to pay for basic living expenses**

3. On a scale of one to ten, how do you feel about each of the following? One means you feel 'very insecure or stressed'; ten means you feel 'very secure or not stressed'. From one to ten, how would you rate ... [INSERT ITEM]?

- Your satisfaction with your present financial situation
- Your confidence in finding the money to pay for a financial emergency that costs about \$1,000
- Your level of financial stress today
- The level of stress you feel about your personal finances in general
- Your current finances

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ATTACHMENT II.

Methodology and Data

Data Collection and Analysis

The data for this study were collected from randomly dialed sample of 1000 adults from the general U.S. population (500 men and 500 women), aged 18 and over by the market research firm Ipsos-Insight, during June 20th through June 21st, 2006. Data was weighted to match U.S. Census on key demographics.

The average age of the respondents in this study was 51 years.

Males comprised 48% of the clients and 52% were female, which is a typical distribution of the general population. Approximately five in 10 (53%) were either married or living with a partner, and 45% were unmarried. Their median annual family income was between \$45K and \$50K. Three out of five (59%) were employed, and of those 48% were working full-time.

Statistics are generated at the 95% confidence level.