

Financing Everyday Life

Anxieties of the Debt Distressed

Introduction

Debt relief seekers usually have severe financial problems. In fact, they are often so laden with money and credit problems that they can barely meet their living expenses, let alone find money for a financial emergency. This report examines the extent to which the debt distressed and the general population worry about meeting their monthly living expenses, and their confidence in being able to find \$200 in the event of a financial emergency. It is based on a study which was conducted by the InCharge Education Foundation (ICEF) to assess the financial challenges, money management skills, and bill paying behavior of both the debt distressed and the general population. It further sought to determine the extent to which their financial crisis affects their lifestyle, health, life at work, and preparation for retirement. A comparison of the general population and the debt distress is first presented. A section reflecting demographic characteristics follows using only data from the general population.

Consumer Income and Spending Anxieties

Two questions asked in the research study are relevant for the purpose of this report. They are:

1. “How often do you worry about being able to meet normal monthly living expenses?”
2. “How confident are you that you could find the money to pay for a financial emergency that costs about \$200?” For the General Population N=1,300 and Debt Distressed N=590.

Chart 1

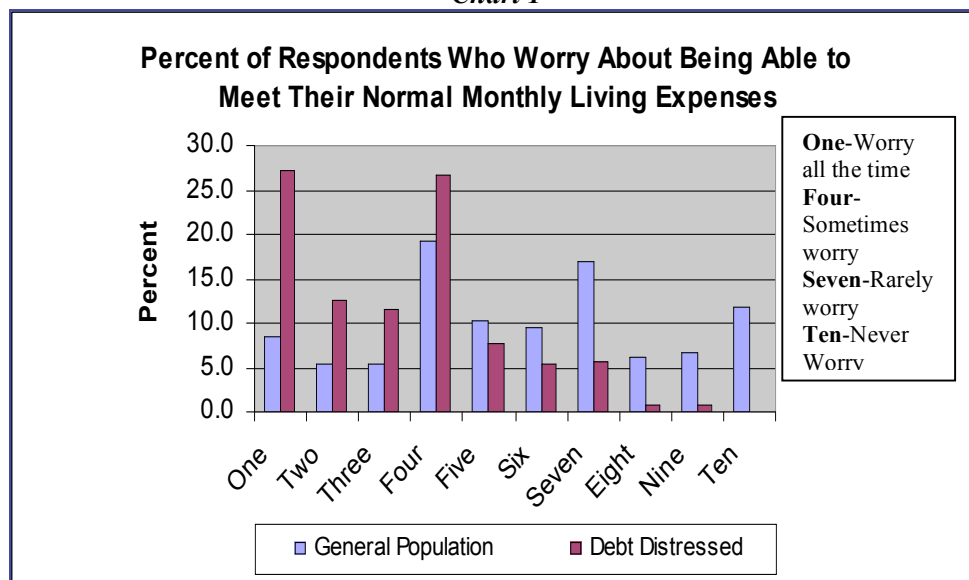
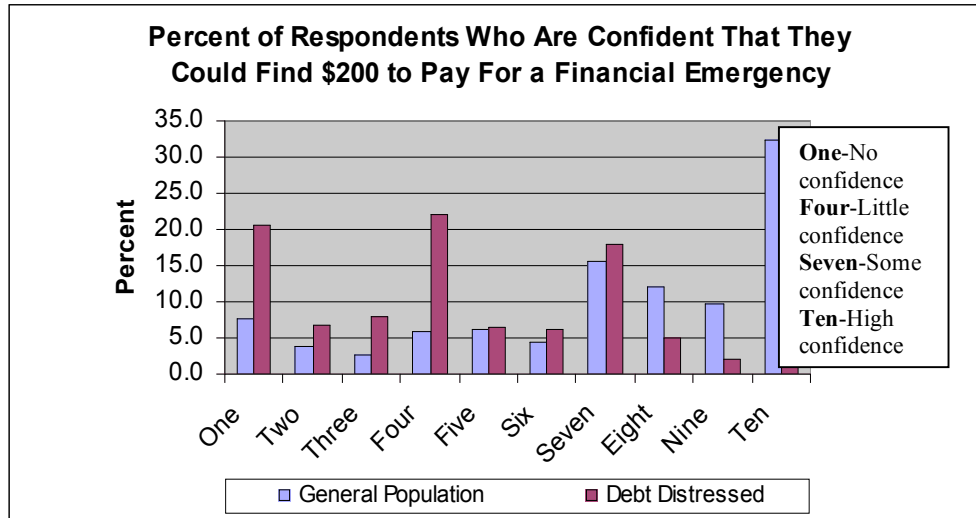


Chart 1 shows that the general population and the debt distressed differ in their concerns about being able to meet normal monthly living expenses. At the lower end of the chart (one through three), where anxiety levels are highest, the debt distressed worry twice as much as the general population. Conversely, the upper end of the chart (eight through ten) shows the general population being more than two times as likely as the debt distressed not to be worried. In fact, chart 1 illustrates that, unlike the general population, the debt distressed are never free of worry about meeting their living expenses.

The detailed responses to worries about being able to meet monthly living expenses are presented in Table 1. The table shows that of the 590 respondents of the debt distressed population, 160 (27 percent) are always worried about their ability to meet monthly living expenses while only 109 (8 percent) of the general population have similar concerns. At the same time, approximately 2 percent of the respondents from the debt distressed population never worry about meeting living expenses compared to 12 percent of those of the general population.

Table 1						
Worries About Meeting Monthly Living Expenses						
Levels of Worry	<i>Frequency</i>		<i>Valid Percent</i>		<i>Cumulative Percent</i>	
	General Population	Debt Distressed	General Population	Debt Distressed	General Population	Debt Distressed
One (all the time)	109	160	8.4	27.2	8.4	27.2
Two	71	74	5.5	12.6	13.9	39.7
Three	69	68	5.3	11.5	19.3	51.3
Four (sometimes)	248	157	19.2	26.7	38.4	77.9
Five	134	46	10.4	7.8	48.8	85.7
Six	123	31	9.5	5.3	58.3	91.0
Seven (rarely)	220	33	17.0	5.6	75.3	96.6
Eight	81	5	6.3	0.8	81.6	97.5
Nine	87	5	6.7	0.8	88.3	98.3
Ten (never)	151	10	11.7	1.7	100.0	100.0

Chart 2



Based on the data presented in Chart 2, the debt distressed are by far less confident than the general population that they can meet a financial emergency of \$200. On the other hand, the general population shows much more confidence than the debt distressed in their ability to find \$200 for a financial emergency.

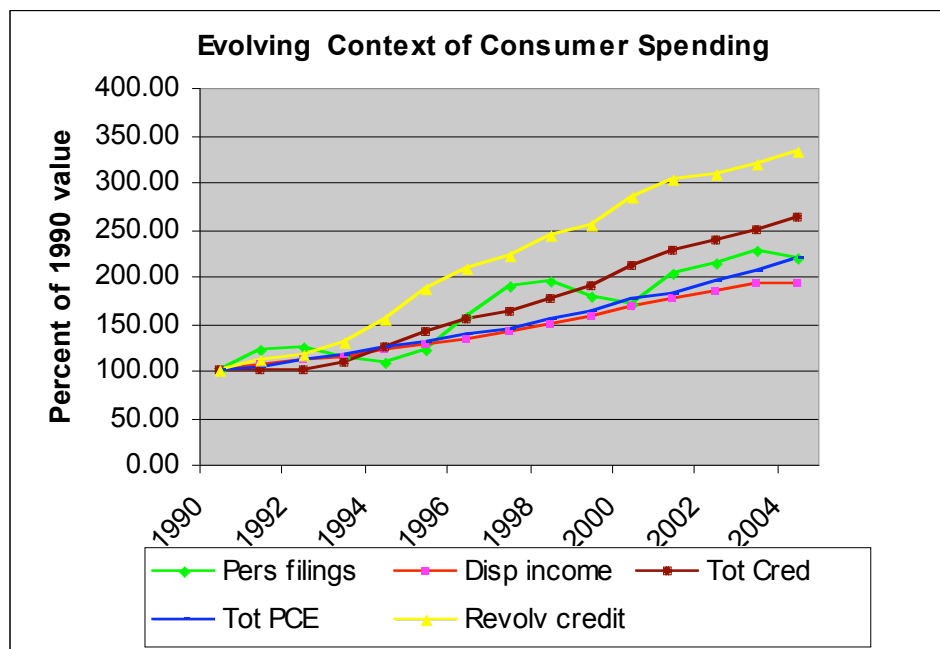
Levels of Confidence	<i>Frequency</i>		<i>Valid Percent</i>		<i>Cumulative Percent</i>	
	General Population	Debt Distressed	General Population	Debt Distressed	General Population	Debt Distressed
One-no confidence	98	121	7.6	20.6	7.6	20.6
Two	49	40	3.8	6.8	11.4	27.4
Three	35	46	2.7	7.8	14.1	35.3
Four (little)	76	129	5.9	22.0	20.0	57.2
Five	78	38	6.1	6.5	26.1	63.7
Six	55	37	4.3	6.3	30.4	70.0
Seven (some)	200	105	15.5	17.9	45.9	87.9
Eight	157	30	12.2	5.1	58.1	93.0
Nine	124	12	9.6	2.0	67.7	95.1
Ten-high confidence	416	29	32.3	4.9	100.0	100.0

Table 2 shows the responses of to the question of having confidence in being able to meet a financial emergency of \$200. A sizeable 2 in 10 (20 percent or 121 of the 590) of the debt distressed have no confidence in being able to meet a \$200 emergency compared to 98 of the 1300

(approximately 8 percent) respondents of the general population. The financial insecurity of the debt distressed is further underscored by the fact that only 5 percent of these respondents have high confidence in their ability to meet a \$200 emergency. This compares to 30 percent of the respondents of the general population.

Historical and Contextual Perspective

Comparative analysis of responses to questions relating to ability to pay for normal living expenses and confidence in coming up with emergency money reveals that the debt distressed are significantly lagging the general population. The similarity of responses between the two questions leads to the conclusion that they are correlated, and are different manifestations of an income-expenditure dynamic that has evolved through time. The survey was just a snapshot. Other variables involved in that income-expenditures play are credit outstanding and bankruptcy filings. If the level or pace of growth of expenditures outstrips disposable income and credit is ‘too outstanding’, the specter of bankruptcy becomes reality. The line graph below shows the growth since 1990 of disposable income in the context of its use (personal consumption expenditures (PCE)), its supplement (credit outstanding) and the consequence of overspending (bankruptcy filings). The story is straightforward. Since 1990, disposable income almost doubled (200 percent growth in 2004). However, the growth in personal consumption expenditures was above income growth. At the same time, total credit outstanding (revolving plus non-revolving) grew 250 percent by 2004. Considered separately, revolving credit (mostly credit card) use more than tripled since 1990. The result of all this was a surge in personal bankruptcy filings.



As observed already, information on household income was also collected from the 2004 survey. The relationship between the responses to the two questions and household income allowed a rough transformation of metropolitan area income data into a ranking of MSA's. This result allowed a

view of the subject on a more aggregated level, underscoring the ability and confidence of MSA citizens to come up with the wherewithal for normal living and emergency expenses. The primary ranking was done for 2003. In the table shown the top 10 MSA's are shown for that year. Rankings in the top ten for 2000, 1990 and 1980 (that included MSA's in the top 10 in 2003) are also shown. San Jose-Sunnyvale-Santa Clara, CA ranked number one or two for all the years shown. Three other MSA's, Bridgeport-Stamford-Norwalk, CT, Washington-Arlington-Alexandria DC-VA-MD-WV and Oxnard-Thousand Oaks-Ventura CA also remained in the top ten for the years for which ranking was done.

Ranking of MSA's on Consumer Living Expense Liquidity

Metropolitan Area	2003	2000	1990	1980
San Jose-Sunnyvale-Santa Clara CA	1	1	2	1
Bridgeport-Stamford-Norwalk CT	2	4	5	4
Washington-Arlington-Alexandria DC-VA-MD-WV	3	3	1	2
San Francisco-Oakland-Fremont CA	4	2	10	
Oxnard-Thousand Oaks-Ventura CA	5	5	4	6
Boston-Cambridge-Quincy MA-NH	6	10	9	
Vallejo-Fairfield CA	7			
Trenton-Ewing NJ	8		8	
Manchester-Nashua NH	9	9	7	
Santa Rosa-Petaluma CA	10			

The takeaway of all this is that, at the individual level, consumers need to be educated about the false optimism of paying off debt quickly at the high interest rates associated with revolving credit. At the policy making levels, education and income growth should be top priorities. Political and economic leaders at the local level should be armed with knowledge of their standing in terms of the confidence of their citizens in having adequate money to lead the life of productive economic agents. People engaged in subsistence struggles cannot cooperate in plans to increase gmp, gdp, or any of the other economic goals entertained by policymakers. The debt problem is clearly connected with income and its determinants, particularly education. Those who are currently debt distressed need counseling and debt management help before bankruptcy becomes the only alternative.

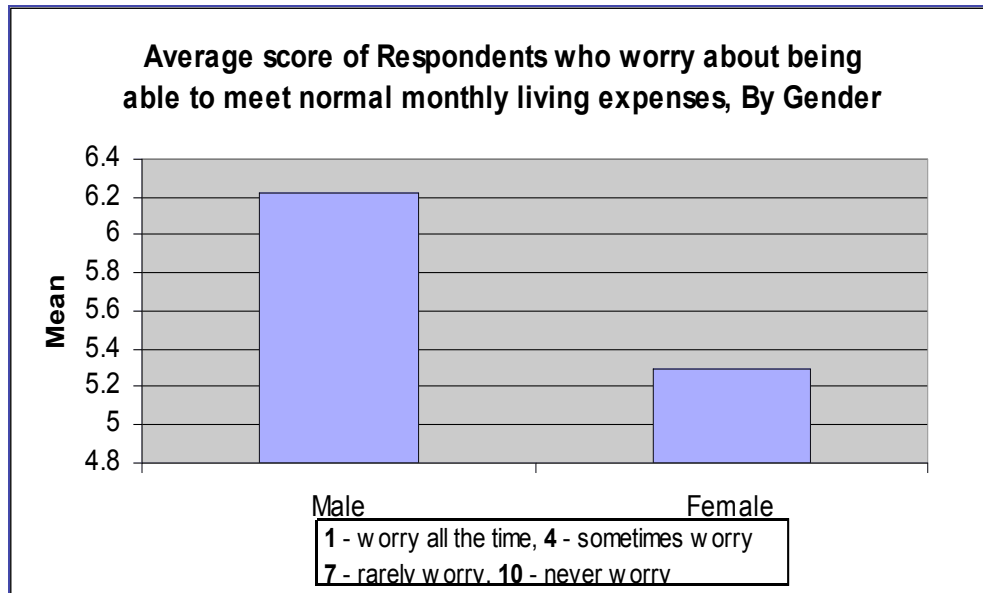
General Population Responses by Demographic Characteristics

The responses to both questions were further analyzed to determine the extent to which they may have varied by demographic characteristics. The demographic variables featured are gender, age, marital status, race, education, and income. Each of the two questions is treated separately in this section. Generally, after a short comment, a graph is shown with the average score on a scale of 1 to 10. Then details appear in a table immediately following.

“How often do you worry about being able to meet normal monthly living expenses?”

Gender

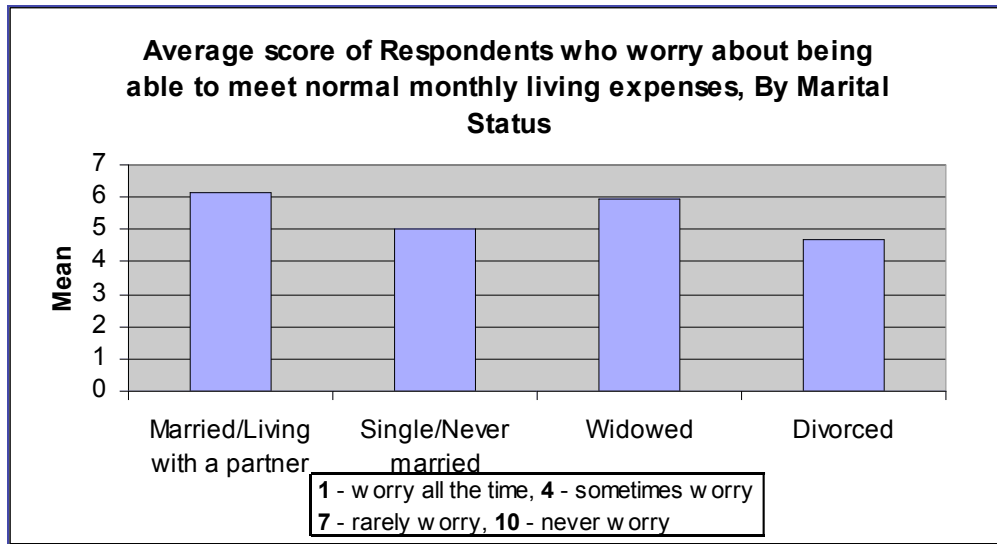
The results confirm that there are differences among men and women regarding concerns about ability to meet normal monthly living expenses. Men worry less often than women about meeting monthly living expenses.



Percent of Respondents Who Worry About Meeting Normal Monthly Living Expenses, By Gender			
Response (scale)	Male	Female	Total
One	27.52	72.48	100
Two	28.17	71.83	100
Three	39.13	60.87	100
Four	35.48	64.52	100
Five	33.58	66.42	100
Six	39.84	60.16	100
Seven	49.09	50.91	100
Eight	50.62	49.38	100
Nine	57.47	42.53	100
Ten	51.66	48.34	100

Marital Status

Anxiety levels about meeting monthly living expenses vary across marital groups. With an average of 6 on the 10-point scale, the married and divorced worry the least. Singles and the divorced are on the fence (close to 5). The married are in the clear majority (61 % in the table) among those who never worry.

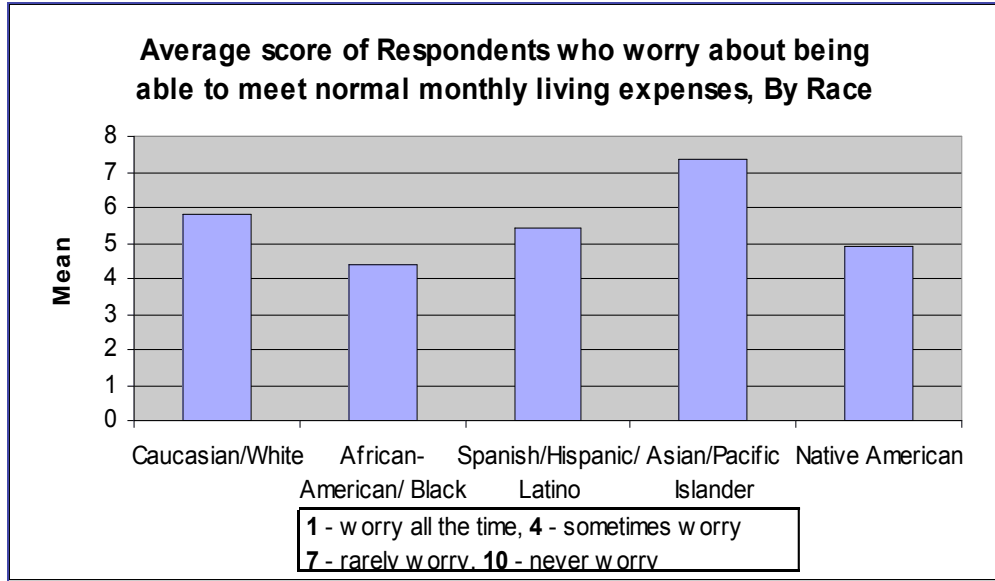


Percent of Respondents Who Worry About Meeting Normal Monthly Living Expenses, By Marital Status

Response Scale	Married/Living with a Partner	Single/Never Married	Widowed	Divorced	Total
One	35.19	21.30	10.19	33.33	100
Two	40.85	25.35	7.04	26.76	100
Three	46.38	21.74	5.80	26.09	100
Four	46.96	19.84	12.96	20.24	100
Five	46.27	19.40	10.45	23.88	100
Six	64.23	17.07	8.13	10.57	100
Seven	59.36	15.53	10.05	15.07	100
Eight	65.43	8.64	14.81	11.11	100
Nine	74.71	10.34	11.49	3.45	100
Ten	61.07	12.08	14.09	12.75	100

Race

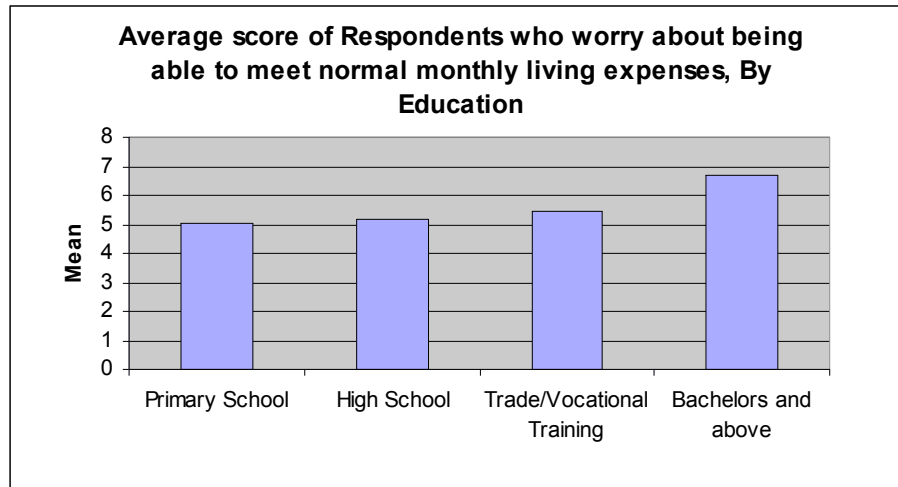
Respondents' concerns about being able to meet normal monthly living expenses vary across racial groups. Asians are the least worried about meeting their monthly living expenses followed by Caucasians. African Americans worry more than any other racial group.



Percent of Respondents Who Worry About Meeting Normal Monthly Living Expenses, By Race						
Response Scale	Caucasian /White	African-American/Black	Spanish /Hispanic	Asian/Pacific Islander	Native American	Total
One	72.64	19.81	4.72	0.00	2.83	100
Two	85.29	8.82	4.41	0.00	1.47	100
Three	79.71	14.49	0.00	2.90	2.90	100
Four	83.54	9.05	5.76	0.00	1.65	100
Five	89.31	6.11	3.05	0.00	1.53	100
Six	94.17	5.00	0.00	0.00	0.83	100
Seven	89.25	5.61	3.27	0.93	0.93	100
Eight	87.34	5.06	5.06	0.00	2.53	100
Nine	89.53	4.65	4.65	1.16	0.00	100
Ten	90.60	3.36	2.68	2.01	1.34	100

Education

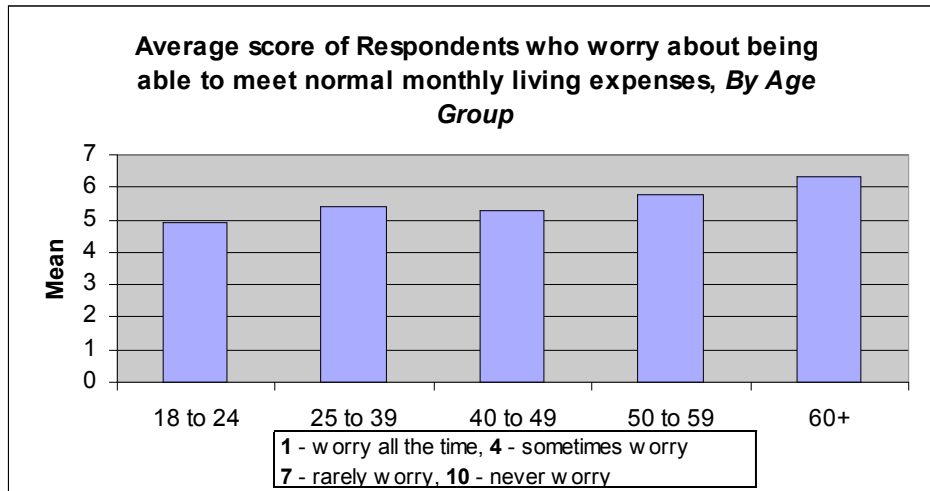
There is a significant variation in the percent of respondents who worry about being able to meet normal monthly living expenses by education. Respondents with high school level education and ‘trade/ vocational training worry about being able to meet monthly living expenses more than other respondents. Those with a Bachelors degree and above are the least worried about meeting monthly living expenses.



Percent of Respondents Who Worry About Meeting Normal Monthly Living Expenses, By Education					
Response Scale	Primary School	High School	Trade/Vocational Training	Bachelors and above	Total
One	11.93	36.70	39.45	11.93	100
Two	11.27	43.66	38.03	7.04	100
Three	7.25	34.78	39.13	18.84	100
Four	14.92	28.63	37.50	18.95	100
Five	6.72	35.07	36.57	21.64	100
Six	7.32	25.20	36.59	30.89	100
Seven	8.18	21.36	35.00	35.45	100
Eight	3.70	25.93	34.57	35.80	100
Nine	2.30	20.69	31.03	45.98	100
Ten	8.67	22.67	28.00	40.67	100

Age

Concerns about being able to meet monthly living expenses vary across age groups. With an average score of 6, the 60+ group worry the least. Moreover, the 60+ group was 40% of all those who had a score of 10 (never worried). Of those who worry all the time, about 53% (26.61+26.62) were in the 40-59 group.

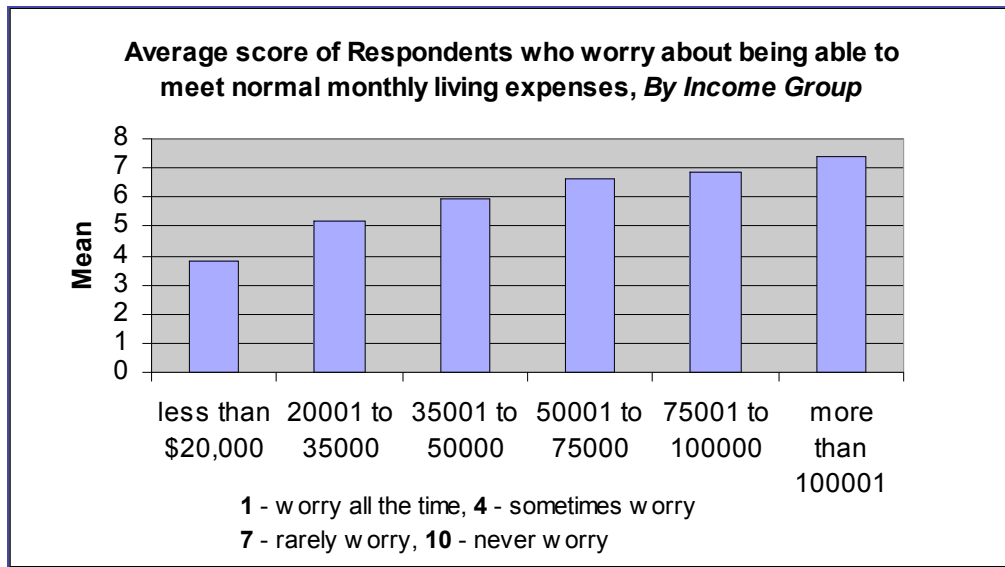


Percent of Respondents Who Worry About Meeting Normal Monthly Living Expenses, By Age Group

Response Scale	18 to 24	25 to 39	40 to 49	50 to 59	60+	Total
One	7.34	17.43	26.61	26.61	22.02	100
Two	7.04	32.39	28.17	9.86	22.54	100
Three	5.80	46.38	23.19	14.49	10.14	100
Four	6.45	22.98	25.00	20.16	25.40	100
Five	6.77	30.83	22.56	18.05	21.80	100
Six	6.50	34.15	25.20	14.63	19.51	100
Seven	5.02	20.09	27.85	19.18	27.85	100
Eight	3.70	18.52	14.81	16.05	46.91	100
Nine	0.00	18.39	18.39	24.14	39.08	100
Ten	3.31	20.53	13.25	22.52	40.40	100

Income

Concerns about meeting monthly living expenses decline with income. Of all the respondents who are always worried about meeting their monthly living expenses, 6 in 10 earn less than \$20,000 while those who earn more than \$50,000 account for less than 5 percent of that group. Conversely, respondents making more than \$100,000 constitute approximately 25 percent of the group that ‘never worries’ and those who make less than \$20,000 barely amount to 3 percent of the group.

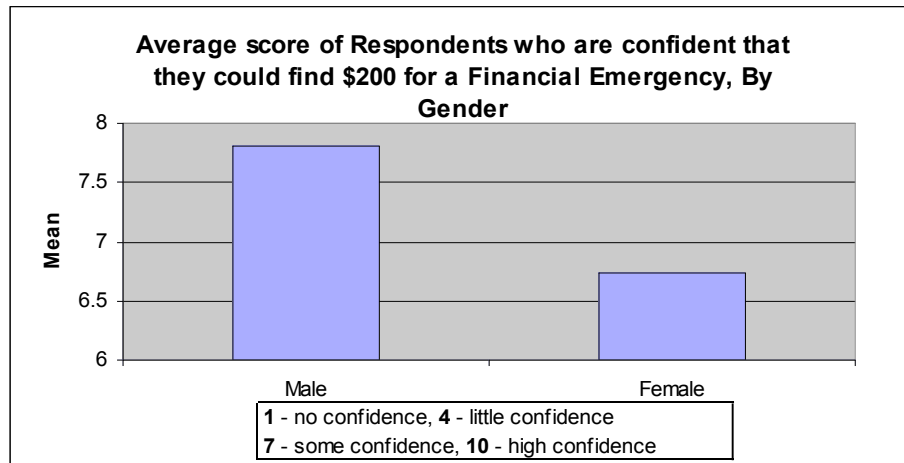


Percent of Respondents Who Worry About Meeting Normal Monthly Living Expenses, By Income Group							
Response Scale	Less than \$20,000	\$20,001 - \$35,000	\$35,000- \$50,000	\$50,001- \$75,000	\$75,001- \$100,000	More than \$100,001	Total
One	59.63	27.52	8.26	2.75	0.00	1.83	100
Two	44.93	31.88	15.94	2.90	1.45	2.90	100
Three	30.43	30.43	15.94	11.59	8.70	2.90	100
Four	28.51	29.34	20.66	7.85	8.26	5.37	100
Five	18.94	32.58	17.42	14.39	7.58	9.09	100
Six	11.57	27.27	23.14	15.70	8.26	14.05	100
Seven	13.68	19.34	21.23	17.92	12.74	15.09	100
Eight	11.54	15.38	19.23	26.92	8.97	17.95	100
Nine	4.76	21.43	13.10	14.29	16.67	29.76	100
Ten	2.88	19.42	20.86	17.27	15.11	24.46	100

“How confident are you that you could find the money to pay for a financial emergency that costs about \$200?”

Gender

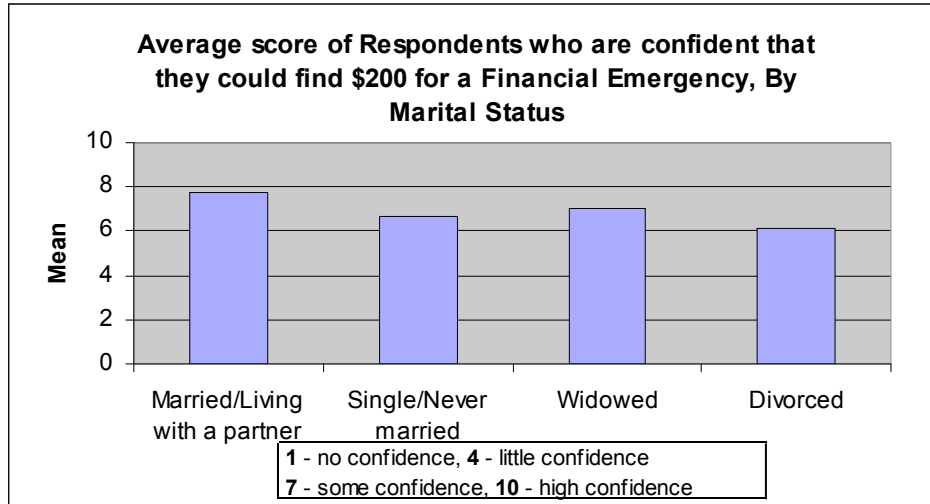
Confidence in finding \$200 in the event of a financial emergency varies according to gender, with males considerably more confident and with a score close to 8 on average. Considering only those answering 1 (low confidence), the percent of female respondents is more than twice higher than that for males. At the extremely high confidence level (those answering with 10), the percent of male respondents is slightly higher than female respondents.



Percent of Respondents who are confident that they could find \$200 for a Financial Emergency, <i>By Gender</i>			
Response Scale	Male	Female	Total
One	26.53	73.47	100
Two	24.49	75.51	100
Three	25.71	74.29	100
Four	28.95	71.05	100
Five	35.90	64.10	100
Six	43.64	56.36	100
Seven	37.50	62.50	100
Eight	43.31	56.69	100
Nine	41.13	58.87	100
Ten	53.13	46.88	100

Marital Status

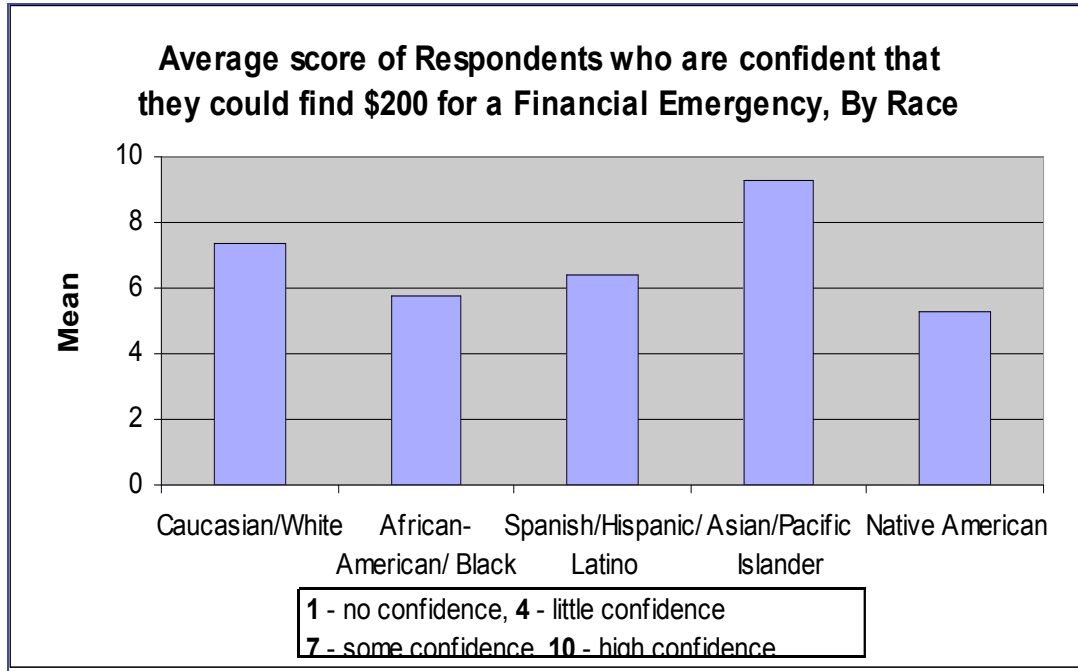
There are differences in respondents' confidence in finding \$200 for an emergency across marital status. As in the case of the first question, married and divorced respondents exhibit the lowest confidence on average in being able to meet such an emergency. At the two lower (1,2) and the two higher (9,10) levels of confidence, the married are lower than expected (35.05, 36.73) and higher than expected (65.04, 67.15), respectively.



Percent of Respondents who are confident that they could find \$200 for a Financial Emergency, By Marital Status					
Response Scale	Married/Living With a partner	Single/Never Married	Widowed	Divorced	Total
One	35.05	18.56	10.31	36.08	100
Two	36.73	24.49	6.12	32.65	100
Three	45.71	28.57	8.57	17.14	100
Four	42.11	19.74	19.74	18.42	100
Five	42.31	21.79	10.26	25.64	100
Six	52.73	16.36	9.09	21.82	100
Seven	45.5	21	13	20.5	100
Eight	52.87	16.56	15.29	15.29	100
Nine	65.04	17.89	8.13	8.94	100
Ten	67.15	11.84	8.70	12.32	100

Race

Confidence in meeting a \$200 emergency varies according to race. On the whole, Asians exhibit the highest confidence of all the racial groups. Whites are also confident that they could afford a \$200 emergency. Confidence is lowest among African Americans and Native Americans.

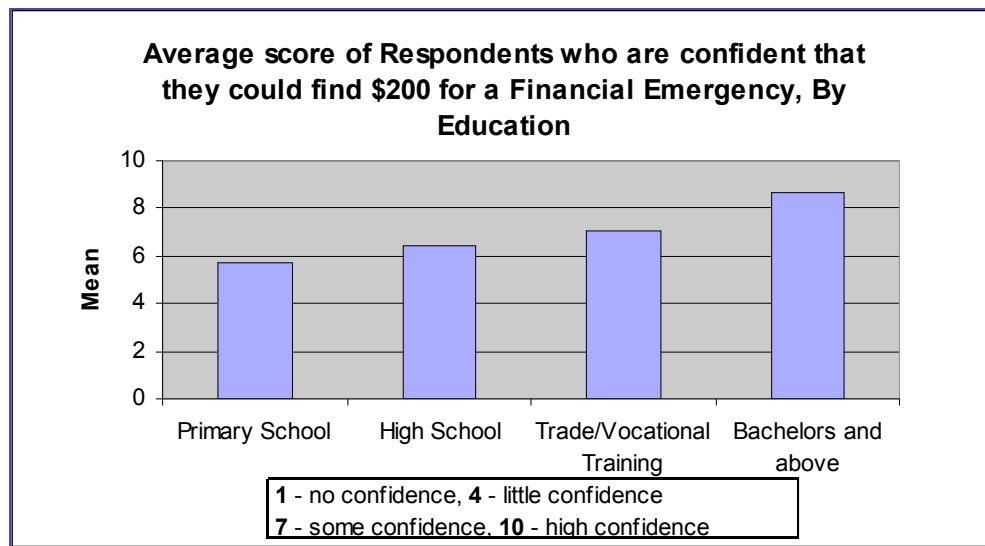


Percent of Respondents who are confident that they could find \$200 for a Financial Emergency, By Race

Response Scale	Caucasian /White	African-American/Black	Spanish /Hispanic	Asian/Pacific Islander	Native American	Total
One	70.83	20.83	5.21	0.00	3.13	100
Two	85.71	8.16	4.08	0.00	2.04	100
Three	81.25	12.50	3.13	0.00	3.13	100
Four	80.82	9.59	4.11	0.00	5.48	100
Five	80.77	7.69	10.26	0.00	1.28	100
Six	84.62	9.62	3.85	0.00	1.92	100
Seven	84.77	10.15	3.05	0.51	1.52	100
Eight	89.40	6.62	2.65	0.66	0.66	100
Nine	90.91	4.13	1.65	0.83	2.48	100
Ten	91.48	4.14	2.92	1.22	0.24	100

Education

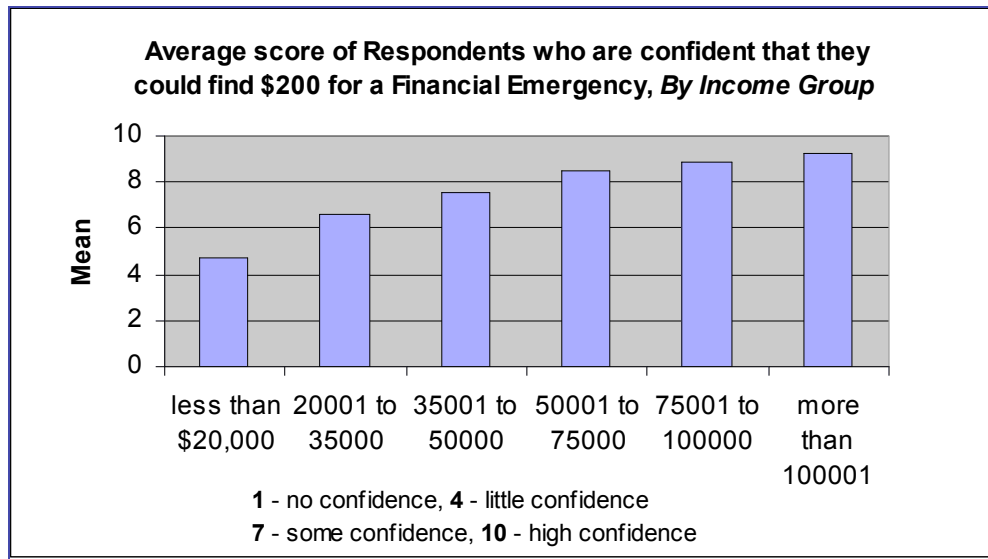
Respondents’ ability to meet a \$200 emergency increases with their level of education. Among those having no confidence, 7 in 10 had a high school education or vocational training, while only about 1 in 10 was a college graduate with at least a Bachelors degree. On the other hand, 45 percent of the respondents who report high confidence (10) in the event of a \$200 emergency have a Bachelors degree and above, compared to 33 percent of those with vocational training, 19 percent of those with high school education, and 3 percent with primary level education.



Percent of Respondents who are confident that they could find \$200 for a Financial Emergency, By Education					
Response Scale	Primary School	High School	Trade/Vocational Training	Bachelors and above	Total
One	14.29	36.73	37.76	11.22	100
Two	16.33	40.82	38.78	4.08	100
Three	14.29	45.71	28.57	11.43	100
Four	26.32	38.16	30.26	5.26	100
Five	8.97	37.18	47.44	6.41	100
Six	3.64	41.82	38.18	16.36	100
Seven	11	30	39	20	100
Eight	9.55	29.30	34.39	26.75	100
Nine	5.65	20.97	33.06	40.32	100
Ten	3.37	18.55	33.25	44.82	100

Income

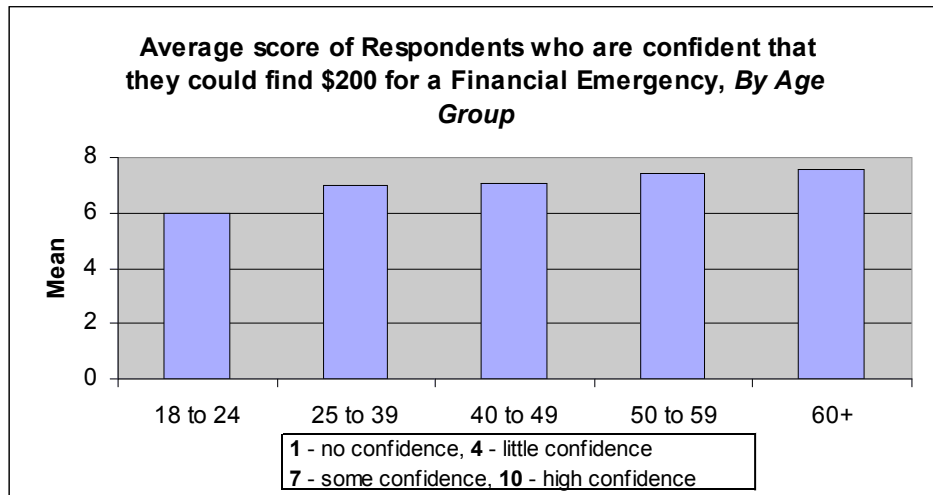
The association between respondents' confidence in their ability to meet a \$200 emergency and their income level is positive. As expected, those who report the highest confidence are of the highest income group while those who report the lowest confidence are predominately of the less than \$20,000 income group.



Percent of Respondents who are confident that they could find \$200 for a Financial Emergency, By Income Group							
Response Scale	Less than \$20,000	\$20,001 - \$35,000	\$35,000- \$50,000	\$50,001- \$75,000	\$75,001- \$100,000	More than \$100,001	Total
One	65.31	22.45	10.20	1.02	0.00	1.02	100
Two	40.43	38.30	17.02	4.26	0.00	0.00	100
Three	45.71	31.43	20.00	2.86	0.00	0.00	100
Four	45.21	34.25	8.22	5.48	2.74	4.11	100
Five	32.05	37.18	17.95	6.41	2.56	3.85	100
Six	26.42	33.96	22.64	7.55	5.66	3.77	100
Seven	23.86	28.93	21.83	13.71	7.61	4.06	100
Eight	14.38	30.72	19.61	15.03	12.42	7.84	100
Nine	7.63	18.64	22.03	18.64	15.25	17.80	100
Ten	4.27	17.34	19.10	19.10	14.32	25.88	100

Age

There is a little variation in the level of confidence according to age group. Not surprisingly, of all the age groups, 18 to 24 year old respondents are the least confident that they can find \$200 in the event of an emergency. Those who are 60 & over are the most confident. Among the respondents who report high confidence levels, 3 in 10 are at least 60 years old.



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Percent of Respondents who are confident that they could find \$200 for a Financial Emergency, By Age Group						
Response Scale	18 to 24	25 to 39	40 to 49	50 to 59	60+	Total
One	7.14	21.43	28.57	21.43	21.43	100
Two	8.16	24.49	28.57	16.33	22.45	100
Three	8.82	38.24	26.47	2.94	23.53	100
Four	10.53	25.00	17.11	15.79	31.58	100
Five	6.41	39.74	26.92	15.38	11.54	100
Six	9.09	21.82	23.64	21.82	23.64	100
Seven	8.04	25.13	22.11	18.09	26.63	100
Eight	3.82	27.39	20.38	19.11	29.30	100
Nine	6.45	20.97	17.74	24.19	30.65	100
Ten	1.68	22.36	24.28	20.67	31.01	100

Methodology

The Signature study, conducted in 2004, included two separate mail surveys. One was a survey of the general US population. The other was a survey of debt distressed people from the InCharge database. These debt relief seekers had contacted InCharge Debt Solutions between March and June 2004.

The initial sample for the debt distressed group was 5000. However, 253 were deleted from the sample because addresses were incomplete or incorrect and 237 questionnaires were returned as undeliverable. These two groups were counted as non-responders. There were 585 responders and 4,415 non-responders for a response rate of approximately 12%. Given this relatively low response rate, there was a concern that responders might differ from non-responders on key demographic or financial measures. An analysis was undertaken to address this issue by comparing the responder and non-responder groups on these key measures. No significant biases existed.

In the case of the general population, a panel was used. The number of questionnaires mailed out was 2000. Thirteen hundred (1300) were completed for a return rate of 65 percent.

DEMOGRAPHIC PROFILE OF THE SAMPLES

	National Sample	Distressed
Total	1300.00	590.00
	%	%
Sex		
Male	48.00	32.00
Female	52.00	68.00
Age		
18 to 34	31.00	41.00
35 to 49	31.00	34.00
50 to 64	22.00	18.00
65 and over	16.00	7.00
<i>Mean</i>	<i>45.00</i>	<i>41.00</i>
Marital Status		
Married/Living with partner	54.00	53.00
Single/Never married	21.00	27.00
Divorced	16.00	16.00
Widowed	9.00	4.00
Employment Status		
Employed	68.00	75.00
Unemployed, but seeking work	6.00	7.00
Unemployed, not seeking work	6.00	6.00
Retired	21.00	12.00
Ethnicity		
Caucasian/White	87.00	59.00
Minority	13.00	41.00
Education		
High school or less	36.00	46.00
Some college/vocational training	36.00	37.00
Four year college or higher	28.00	17.00
Income		
\$30,000 or less	34	55
\$30,001 to \$60,000	31	35
More than \$60,000	35	10
<i>Mean (\$000)</i>	<i>50.4</i>	<i>33.8</i>