

# Levy Diamond Bello & Associates, LLC

# Insights & Perspectives

## Consumer Debt Climbing Out of Control!!!

Many households owe thousands on credit cards.

Associated Press, 1/11/04: As the bills from holiday spending sprees arrive, consumers are finding that the mountain of debt they've built has grown even higher.

Consumer debt has more than doubled in the past 10 years to record levels, making it hard for many families to cope. A record \$1.98 trillion in October, 2003 was reported by the Federal Reserve. That debt – which includes credit cards and car loans, but not mortgages – translates to some \$18,700 per household.

Equally troubling is the government's research indicating that the nation's rate of savings has dropped to just 2% of after-tax income in the first half of the year. Consequently, many people lack the means to deal with financial emergencies, much less their eventual retirement.

"The Depression generation is passing on, and we're losing their values," said Howard Dvorkin, president of the nonprofit consolidated Credit Counseling Services in Fort Lauderdale, Florida. "Now we've got an entire generation that doesn't know anything about thrift and careful spending. It's tearing the fabric that made this country great."

But, just how did we get so deep into the hole? Robert D. Manning, a sociology professor at RIT, author of "Credit Card Nation – The Consequences of America's Addiction to Credit," says the problem dates back to the 1980s, when financial institutions began issuing credit cards and making loans to people to who would not have qualified in the past.

"At the same time, people had this sense of entitlement based on the idea that this generation was expected to outperform the earlier generation," Manning said. "it was OK to buy yourself a better standard of living that your parents, and the banks would help you do it."

This country's credit card debt currently stands at \$735 billion, or nearly \$7,000 per household. And since about 40% of card users pay their balances in full each month, the household card debt of those who carry balances is closer to \$12,000.



What is surprising about the nation's debt is that it has continued to rise despite record numbers of mortgage refinancing from 2001 to 2003, many of them yielding cash that consumers have used to pay down credit card balances.

While these financing options have allowed upper income households to put their balance sheets in order, lower income families without that alternative are finding it hard to cope with the debt.

Consumer bankruptcies have exceeded 1 million a year since 1996, hitting a record of 1.54 million in 2002. Bankruptcy filings totaled 1.25 million during the first nine months of 2003 and could set a new record when full-year tabulations are done by the American Bankruptcy Institute.

Tax Calendar .....	2
Be Debt Free .....	3
US Job Market .....	4
Important Dates .....	4
Happy Birthday .....	4

# Individual Taxpayers' Calendar

- 2/2/2004 **All W-2 and 1099 forms should have arrived by now.**
- Tax return due.** If you missed your Q4 estimated tax deadline on January 15th, you can file the return by this date to avoid a penalty.
- 2/17/2004 **File new W-4 Forms.** If you were exempt from income tax withholding for 2003, you must file a new Form W-4 by this date to continue your exemption for 2004.
- 3/15/2004 **Corporations.** File a 2003 calendar year income tax return (Form 1120 or 1120-A) and, if appropriate, pay any tax due. You can apply for an automatic 6-month extension with Form 7004. If you file for an extension, you still are required to tender an estimated tax payment.
- S Corporations.** File a 2003 calendar year tax return (Form 1120S) and, if appropriate, pay any tax due. Forward to all shareholders a copy of Schedule K-1 or a substitute Schedule K-1. You can apply for an automatic 6-month extension with form 7004. If you do so, you are still required to tender an estimated tax payment.
- 4/15/2004 **FEDERAL TAX RETURN DUE.** Your 2003 income tax return is due, unless you filed for an extension of time until August 15, 2004.
- File for extension.** If you want an automatic extension of time to file your 2003 tax return, file Form 4868 AND pay any tax that you may owe.
- Individual Retirement Accounts and Roth IRAs.** Today is the deadline for making 2003 depository contributions to your IRA or Roth IRA.
- Estimated Tax Return.** Your first-quarter estimated tax payment for 2004 calendar year is due.
- STATE TAX RETURN DUE.** If are required to file a state income tax return, this date is most likely the due date.
- 6/15/2004 **Estimated taxes due.** Your second-quarter estimated tax payment (Form 1040-ES) for 2003 is due.
- 8/15/2004 **FEDERAL TAX RETURN DUE.** Your 2003 income tax return is due if you had filed for an automatic extension.
- File for a second extension.** If you require an additional 2-month extension to file your 2003 income tax return, now is the time to do it.
- 9/15/2004 **Estimated tax due.** Your third-quarter estimated tax payment for 2004 is due.
- 10/15/2004 **FEDERAL TAX RETURN DUE.....** if you had filed for an automatic extension back in August.
- 12/31/2004 **Deduction Deadline.** The last due to make payments that can be deducted from your 2004 return.
- Keogh plan deadline.** Today is the last date to establish a Keogh plan so you can deduct a Keogh plan contribution on your 2004 return.

# 28% of Americans Resolve to be Debt Free - Cambridge Consumer Credit Index

28% of all Americans say getting out of debt is their top New Year's resolution, closely followed (27%) by the perennial favorite of losing weight and exercising more, according to the Cambridge Consumer Credit Index. In January, 2003, losing weight and getting out of debt were tied at 29%.

In January, 2002, losing weight was the top resolution of 30% of Americans versus 28% whose first priority was reducing debt.

This year, 15% want to get a more secure or better job, up by 4% from 2003. 13% want to improve their personal relationships, up by two points from 2003. Only 7% plan to reduce drinking and smoking, down by 4% from 2003.

“This is the first time in the history of the Cambridge Consumer Credit Index that more Americans say that reducing debt is a higher priority than losing weight or exercising more. These results provide ample testimony to the increasingly heavy burden that debt is perceived to be by American consumers who continued to take on billions of dollars in additional credit in 2003. The large increase in a desire for more secure employment also shows that, despite many signs of economic growth, many Americans still do not feel secured in their jobs,” Says Jordan Goodman, spokesperson/financial analyst for the Cambridge Consumer Credit Index.

	2004	2003	2002
Pay off or pay down your debt	28%	29%	28%
Lose weight or exercise more	27%	29%	30%
Get a more secure/better job	15%	11%	12%
Improve your personal relationships	13%	11%	13%
Stop smoking or drinking alcohol	7%	11%	8%
Other	4%	4%	3%
Nothing	6%	5%	6%

The Cambridge Consumer Credit Index is a forward looking economic indicator gauging consumer spending and debt. It is released on the fifth business day of every month to coincide with the Federal Reserve Board's G19 release of consumer credit outstanding data.

In conjunction with the Index, the Cambridge Credit Counseling Corp is releasing its monthly survey of people who have called in for credit counseling services over the past month. Cambridge representatives ask callers for the primary reason that they found it necessary to get help with their debts now. Of the 570 people who answered, this was the order of their responses:

1. I am frustrated with high bank rates and fees (33.3%)
2. My income has been reduced from a lower salary, less overtime, or layoff (23.3%).
3. I want to improve my ability to achieve future financial goals like buying a house or saving for retirement (11.8%).
4. Other reasons (8.2%).
5. My lack of financial education caused me to take on too much debt (8.2%).
6. I got into too much debt by overspending (6.8%).
7. Large medical expenses forced me to take on huge debts (5.8%).
8. My recent divorce or widowhood forced me to take on large debts (2.5%).

For more information on the survey, go to <http://www.cambridgeconsumerindex.com/index> or, you may contact media relations representative Paramjit Mahli at [pmahli@cambridgeconsumerindex.com](mailto:pmahli@cambridgeconsumerindex.com), or 631-786-6450.

**Source:** CollectionIndustry.com, a [Kaulkin Media Publication](#), made available to subscribing members. Jan. 9, 2004.

## US Job Market Looks Hopeful

So, this nation's debt numbers are shocking and staggering. People are maxed out on their credit cards. Bankruptcies have exceeded the 1.5 million filings recorded in 2002<sup>1</sup>.

Is there an end to this red madness?

According to the latest, quarterly, Manpower Employment Outlook Survey<sup>2</sup>, U.S. Employers continue to remain optimistic in their hiring forecast for the first quarter of 2004.

"Five years have passed since we last witnessed an increase in hiring expectations between the fourth quarter survey and the employment outlook for the new year," said Jeffrey A. Joerres, chairman & CEO of Manpower, Inc. "Although hiring intentions are still not as buoyant as they were in the late 1990s, employers are taking a step in that direction with their hiring plans for the beginning of the year."

The new year brings stronger job prospects to each of the four U.S. regions. Employers in the West foresee the most hiring activity, while those in the Midwest are the least optimistic. Job seekers in the Northeast are expected to have more opportunities than they have had in nearly three years.

"As we look at the results of the survey, employers across the country are clearly more confident about what they see with demand for their products and services," said Joerres. "In fact, nine of the 10 industry sectors polled are more optimistic about their hiring intentions in the first quarter than they were for the fourth quarter of 2003."

### (Footnotes)

<sup>1</sup> Stat obtained from economy.com.

<sup>2</sup>"Employers Predict Stronger Hiring Activity," Collector Feb 2004.

## Important Dates to Remember

### February 19 – 22, 2004:

Commercial Law League of America  
Annual Western Educational Conference  
Rancho Las Palmas Marriott Resort & Spa  
Palm Desert, CA

### March 17 – 19, 2004:

8<sup>th</sup> Annual National Collections & Credit  
Risk Conference: *The Changing Credit Landscape –  
Advances in Risk Management and Collection Strategies.*  
New Orleans Marriott, New Orleans, LA

### April 15 – 18, 2004:

Commercial Law League of America  
74<sup>th</sup> Annual Spring Educational Conference  
Westin Hotel, Chicago, IL



## Happy Birthday!!

Anthony Fanelli, Regional Sales Manager	Jan. 15
Frank Surratt, Regional Vice President	Jan. 30
Bea Shandro, Accounting Admin.	Feb. 22
David Pirruccio, Director of Collections	Feb. 26

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