

TOUGH TIMES CALL FOR A RETURN TO THE BASICS OF WISE MONEY MANAGEMENT

*New Survey Finds That Those Who Are Good at
Financial “Blocking and Tackling” are the Least Stressed*

“Ladies and Gentlemen, This is an Emergency Fund”

December 21, 2008, Chicago, IL – While the nation’s rocky economy has left most people are feeling stressed about their finances, some are weathering the storm better than others. A new survey, conducted by the market research firm Synovate, shows that people who follow three basic practices of wise money management – maintain an adequate emergency fund, don’t carry a balance on credit cards, and use a budget to guide spending decisions – are less stressed about their finances than most people. However, the survey also found that such people are in the minority.

The following three charts show that just 18% of households have an emergency fund totaling six or more months’ worth of living expenses, a little less than half of all credit card-using households pay their balance in full each month, and just 6% of households use a detailed plan to guide their monthly spending.

Table 1 - Emergency Fund

Which one of the following statements best describes your household's emergency fund ?	
We have 6 or more months' worth of living expenses in a separate savings account in case of emergencies	18%
We have 3 - 6 months' worth of living expenses in a separate savings account in case of emergencies	16%
We have a separate savings account in case of emergencies, but it has less than 3 months' worth of living expenses	21%
We consider our credit cards or home equity line of credit to be our emergency fund	8%
We don't have an emergency fund	37%

Table 2 – Credit Cards

Which one of the following statements best describes your household's use of credit cards (among the 81% of households indicating that they use credit cards)?	
We always pay the balance in full each month	48%
We currently have a balance that we are not able to pay in full	52%

Table 3 – Budget

Which one of the following statements best describes your household's use of a budget ?	
We use a detailed plan with specific monthly spending limits set for each expense category such as food, clothing, entertainment, etc.	6%
We have a general plan for how much we can spend each month in each expense category.	45%
We simply try to spend less than we make each month	49%

Overall, 78% of respondents indicated that they feel very (29%) or somewhat (49%) stressed about their household's finances. However, when looking at stress levels in conjunction with people's use of an emergency fund, credit cards, and a budget, some noteworthy differences emerged.

Having money in reserve is especially helpful in keeping stress levels low during tough economic times, according to the survey. Households with 6 or more months' worth of living expenses in an emergency fund were the least likely (56%) to report feeling stressed over their household's finances. By the same token, those with no emergency fund were much more likely (90%) to report feeling stressed. In fact, those with no money set aside for emergencies were much more likely than any other group to report feeling "**very** stressed" (47%).

Table 4 – Stress Levels Based on Use of an Emergency Fund

Emergency Fund	With all that's going on in our economy, how are you feeling about your household's finances?					
	All Resp.	Have 6 Mos+ in Emer Fund	Have 3-6 Mos in Emer Fund	Have < 3 Mos in Emer Fund	Use CCs or Home Eq Line of Credit as Emer Fund	Have No Emer Fund
Very/Somewhat Stressed	78%	56%	71%	80%	83%	90%
Very Stressed	29%	11%	10%	22%	35%	47%
Somewhat Stressed	49%	45%	61%	58%	48%	43%
Very Much/ Somewhat at Ease	22%	44%	29%	20%	17%	10%
Somewhat at Ease	17%	31%	26%	18%	10%	8%
Very Much at Ease	5%	13%	3%	2%	7%	2%

According to personal finance writer/speaker Matt Bell, who commissioned the Synovate survey, establishing an emergency fund is one of the most important steps in building a solid financial foundation. “With so many companies laying people off right now, a lot of people are fearful of losing their jobs. Knowing there’s enough money in savings to pay the bills for a while sure helps take the edge off,” Bell said.

How people use credit cards and how they plan their spending also impacts stress levels, according to the survey. People who pay their credit card balances in full each month were much less likely (62%) than those who carry a balance (90%) to report feeling stressed. And those who use a detailed plan to guide their monthly spending were less likely (73%) to report feeling stressed about their household’s finances than those who use a general plan (78%) or those who simply try to spend less than they make each month (79%).

Table 5 – Stress Levels Based on Use of Credit Cards

Credit Cards	With all that's going on in our economy, how are you feeling about your household's finances?			
	All Resp.	Pay in Full	Carry Balance	Don't Use
Very/Somewhat Stressed	78%	62%	90%	85%
Very Stressed	29%	11%	41%	36%
Somewhat Stressed	49%	51%	49%	49%
Very Much/Somewhat at Ease	22%	38%	10%	15%
Somewhat at Ease	17%	29%	9%	11%
Very Much at Ease	5%	9%	1%	4%

Table 6 – Stress Levels Based on Use of a Budget

Budget	With all that's going on in our economy, how are you feeling about your household's finances?			
	All Resp.	Use Detailed Budget	Use General Budget	Try to Spend Less Than We Make
Very/Somewhat Stressed	78%	74%	78%	79%
Very Stressed	29%	31%	23%	34%
Somewhat Stressed	49%	43%	55%	45%
Very Much/Somewhat at Ease	22%	27%	22%	21%
Somewhat at Ease	17%	21%	18%	16%
Very Much at Ease	5%	6%	4%	5%

Bell said today's economy shows the importance of cultivating sound financial habits and practices. "Legendary Green Bay Packers coach Vince Lombardi was famous for a locker-room speech challenging his players to get back to the basics, which began with him saying, 'Gentlemen, this is a football.' By the same token, today's economy shows the importance of the basics of wise money management like using a budget, staying out of debt, and keeping some money in reserve."

ABOUT

Synovate (www.synovate.com), the market research arm of Aegis Group plc, generates consumer insights that drive competitive marketing solutions. The network provides clients with cohesive global support and a comprehensive suite of research solutions. Synovate employs over 5,500 staff in 108 cities across 50 countries. For the financial stress research, Synovate used its eNation service, an online survey of 1,000 adults 18 years of age or older in the contiguous U.S.A. The sample is balanced to be representative of the general population based upon region, gender, age, and household income data from the U.S. Census Bureau.

Matt Bell is a personal finance writer and speaker. NavPress published his first book, "Money, Purpose, Joy," in September 2008 and his second book, "Money Strategies for Tough Times," in April 2009. Through his web site, www.moneypurposejoy.com, Matt writes two free eNewsletters about wise money management. For comments about the findings in this news release, please contact him at 708-447-8022.

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