

# Growing up Is Never Easy – but It's Something We Must Do

*By Brett Ellen, CFP®*

Earlier this year, when I heard President Obama in his Inauguration speech urge the country to put away childish things, I thought of American spending habits. Like children, we became a nation that demands instant gratification. The retail concept of lay-away, so popular just 30 years ago went the way of the drive-in movie. Rather than be proud of what we can afford on what we earn, we embraced run away equity lines and defined ourselves by what we could buy on credit. In fact, credit became so much a part of who we are that credit card companies even offered us the opportunity to personalize our plastic with our school's colors, favorite sports team or a personal photograph.

We always seemed to want more and we wanted it now. But faced with plummeting investment accounts, declining home values, and the real prospect of job loss, Americans are suddenly doing what they've needed to do all along – spend less and save more.

In fact, in the last three months of 2008, the government reported Americans' savings rate, as a percentage of after-tax incomes, rose to 2.9 percent. That's up sharply from 1.2 percent in the third quarter and less than 1 percent just a year ago. Today, a shopping spree no longer appears to be the initial response to a wave of bad news. In February, the Commerce Department reported consumer spending fell for a record sixth straight month in December, dropping 1 percent amid worries about surging layoffs. The hunkering down trend likely will continue. The Conference Board Consumer Confidence Index™ plummeted further in February reaching yet another all-time low. The Index now stands at 25.0 (1985=100), down from 37.4 in January. According to The Federal Reserve, although consumer borrowing rose slightly in January, economists still expect borrowing will remain weak this year with news of the unemployment rate surging to a 25-year high.

With pessimism about the state of the economy increasing daily, suddenly it's chic to be cheap. Frugality is back in style and splurges on widescreen TVs, top-of-the-line kitchens, and designer clothes are out. Across America, people have not only stopped borrowing, but they are actually paying back debt by paying down those car loans, mortgages and credit card bills. Also, consumers are talking about how to save money – with their neighbors and, more importantly, with their bankers, credit card companies, and household service providers.

Ironically, economists note that it's bad news for our recession-battered economy when consumers pay off credit cards, increase their cash reserves, and trade nights out on the town for potluck neighborhood dinners. They call the fallout from collective belt-tightening the "paradox of thrift." That is, what's good for you and your family — spending less, and saving more — does nothing to lift the economy out of recession.

Keep in mind that childish spending has played a factor in this economic mess but our increasingly mature attitudes toward money management could make us healthier in the long run. Just as growing up can be painful, enduring the difficult repercussions of this recession may pay off by putting an end to bad financial habits. This recession may be what it takes to help us break free from a lifestyle of greed supported by excessive borrowing, leveraging and spending money we don't have. Let go of what has been and look ahead to what could be.

### **About Brett Ellen and American Financial Network**

Brett Ellen, founder and president of American Financial Network, is a financial planner and investment advisor representative with Securities America Advisors who specializes in wealth management and corporate benefit planning services. Additionally, Ellen established and is an active part of the Financial Solutions Alliance, a network of financial service providers from across the country that work collaboratively to address the financial and business needs of their clients. Unprecedented in his ability to serve both individual investors and corporate planners, Ellen is recognized by Securities America as their top advisor.

As a California native, Ellen believes strongly in giving back to his community. He and his firm actively support a variety of non-profit organizations. In 2008, the Muscular Dystrophy Association awarded Ellen the prestigious Humanitarian of the Year Award for his philanthropic endeavors and dedication towards making a difference. In 2001 he and his wife, inspired by their children, formed their own non-profit. TKOHelpingHands.org (Turn Kindness On) promotes community involvement and social responsibilities in young children. For more information about Brett Ellen, visit [www.afn-net.com](http://www.afn-net.com).

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