Consumers Feeling Financially Fit, Survey Shows

Nearly 80 percent "comfortable" with their debt level as loan delinquencies continue declining

BUFFALO, N.Y.—The resilient American consumer is reporting improving financial health coming out of the recession, according to results of a recent research study conducted for M&T Bank.

Nearly 80 percent of consumers in a national telephone survey of 1,000 randomly selected adults reported having little-to-no debt or a "comfortable" level of debt. While only 12 percent of those surveyed by GfK Custom Research North America reported having "more debt than is comfortable" and only 8 percent "have too much debt and have trouble paying bills."

The results track recently released data showing the American consumer tightened its collective belt during the recession and emerged in better financial shape.

- Credit card defaults within the industry declined during the fourth quarter of 2010.
- M&T Bank's consumer loan charge-off rate dropped 23 percent in 2010.
- The U.S. savings rate, while declining slightly at the end of 2010, has risen from about 2 percent in January 2008 to 5.3 percent in December 2010.

"A lot of consumers gritted their teeth during the recession, and they're now breathing a sigh of relief. They've clearly been working hard to control their debt levels and pay bills promptly and we're now seeing a lot of signs that the resilient American consumer is in better financial health entering 2011," said Gary Keith, regional economist for M&T Bank.

While consumers are feeling comfortable with their own debt levels, they are a little less upbeat on the health of the economy. A full 50 percent said they think the U.S. economy is "still in a recession." That figure is down just 6 percentage points from 10 months ago when 56 percent of consumers said the economy is "still in recession" in a similar survey conducted for M&T Bank.

Consumers in the 25-49 age range reported the most difficulty with debts, with a combined 29 percent reporting "more debt than is comfortable" or "too much debt." Only 7 percent of consumers age 18-24 and only 17 percent of consumers age 50 and above reported being uncomfortable or having trouble paying debts.

When asked what they were "likely" to do within the next 12 months to reduce personal debt, 65 percent responded that they were likely to "spend less," while 25 percent responded they would "use money in savings."

Nearly two-thirds of consumers reported they "definitely would" or "probably would" be able to get another bank loan if needed.

"Consumers with any debts want to make sure they're getting the best possible interest rates. With rates still being quite low, many people have the chance to refinance loans at lower rates to save money. Lowering the interest on loans helps you pay down principal faster," said Paul Kieffer, manager of the Personal Financial Planning Department at M&T.

Kieffer offers these six general financial tips for managing debt:

- Set a budget and manage expenses.
- Consolidate or refinance debts for lower rates.
- Pay off higher-rate debts first.
- Check your credit report regularly.
- Regularly review the rates charged by your credit cards.
- Consider applying for a home equity line of credit, to be used for emergencies, if you don't already have one.

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