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Spending slows as recession fears grow

By EILEEN ALT POWELL
Associated Press

Joi Freemont, a dentist in suburban Atlanta, doesn't have to look further than her appointment book to tell that people are worried about money.

Patients who used to get their teeth whitened all the time "now want to think about it a bit," she said. Braces? "People were getting them for the kids, for themselves, but now they're waiting," she added. And when people get cavities, they have their fillings done one a month, not five or six at a time, she said.

As a result, Freemont and her husband are worried their income could drop and are trying to be more prudent with their money. They're monitoring spending more closely and continuing to whittle down their credit card balances and her dental school debt, she said.

"We know how to put the brakes on if we have to," said Freemont, 35.

Across America, there are growing signs that consumers are worried about the weakening economy, which could slip into recession. While some say Americans are not famed for their belt-tightening tactics, there are signs that people are trying to improve their personal balance sheets so they're ready for tougher times.

Jobs are getting harder to find, while the crisis in the mortgage industry has made it more difficult for homeowners to borrow against their houses, closing down what has been a major source of extra cash in recent years. Consumers' budgets have been squeezed by rising food and fuel prices.

Credit card balances surged through the fall months, according to Federal Reserve figures. Now delinquency rates on consumer loans are rising, the American Bankers Association reported recently. Even companies that cater to higher-income families, such as American Express Inc., are feeling the pinch.

When the economy stumbles, "you have to begin living within your means, or you'll be forced to do so," Zandi said.

But Americans are much better spenders than savers, said Greg McBride, senior financial analyst with Bankrate.com, an online financial information service.

"Consumer spending isn't something that gets turned on and off like a light switch," he said. "People will say they need to cut back, but they often lack the willpower to do it."

Still, it appears that people are starting to make an effort.

[Denise Dorman, who runs an advertising and public relations agency in Geneva, Ill., decided not to replace her 12-year-old vehicle, a Jeep Grand Cherokee with 125,000 miles on it, to avoid taking on a car payment.](#)

[She and her husband Dave, a commercial artist known for his Star Wars illustrations, also are "aggressively paying off credit card debt." And Dorman is seeking new opportunities to expand her business, perhaps into growth areas such as video-gaming.](#)

["I'll feel a lot more comfortable when our debt is paid down and business has picked up," she said.](#)

Some consumer retrenchment might not be a bad idea, said Sheryl Garrett, founder of The Garrett Planning Network of certified financial planners and author of the "Personal Finance Workbook for Dummies."

High debt and low savings indicate that consumer budgets are out of kilter, she said.

"A mild recession would be a good opportunity - or cause or excuse - for people to stop and take a deep breath," Garrett said. "So many people have overextended themselves.

"If you're living on the edge when times are good, just what are you going to do when they get bad?"

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