What is ahead for consumers in 2014?

by David C. Jones, Ph.D., president AICCCA

While overall household debt has risen, the demand for credit counseling and debt management programs continues to fall (off by over 20 percent since January 2013). There are several enigmas at work here: 1) the equity markets are superficially high buoyed by the Federal Reserve's monetary policy making 401-Ks look good (for now), 2) the job market and unemployment continue to suffer (many unemployed have been living on unemployment benefit payments for close to two years) while consumers have adapted with reduced life style choices and more conservative economic behavior (savings rates have risen), 3) home prices have rebounded but many are still upside-down with their mortgages and likely will continue to be so for some time making home equity loans a distant memory, 4) recent college graduates (and many not so recent) are unable to find jobs much less make payments on their student loans (NOTE: Student Loans are the single most important economic issue of our time and should be considered a ticking time bomb for the economy), and 5) the individual bankruptcy rates have fallen and remain well below 1.4 million annually making the prospect for a "debt bubble" next year a good bet.

Part of the rise in consumer spending is likely tied to euphoria about improved 401-K performance and overall market growth for those who can afford to invest individually. The rest is probably the result of optimism by those who have jobs and the increasing number of affluent consumers. However, the FED is likely to change their policies beginning next year and there may very well be a market correction when the era of free money comes to a close. Some consumers have learned their lessons and will not slip back into the overspending mold while others have not been as affected by the hard times over the past six years. However, banks have all been affected severely and risk managers will continue to keep credit tight and credit card interest fairly high.

The bottom line is that consumers are in a "wait and see" mode even as they continue to experience debt issues. I expect to see FED changes beginning in January and a market correction in the first quarter (who knows how significant). 401-Ks will be affected and many stockholders will also. There may be a major turnaround in demand for credit counseling and debt management beginning in January as consumers start to receive their holiday spending credit card bills.

Our best advice for people is to live beneath their means; perhaps well beneath their means. That will allow them to save and savings will be paramount in the next few years, as economic uncertainty will probably increase due to the National Debt, the likelihood of increased taxes, a continued poor job market, some level of inflation, and still no relief in property appreciation.

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