



THE GUESTS ARE SPENDING LESS AND PAYING DOWN DEBT.

SPECIAL REPORT

## Penny-pinching and Prudent

BLACK ENTERPRISE's exclusive survey reveals how African Americans are handling the economic downturn

**SURELY, NO ONE NEEDS TO TELL YOU WE'RE IN A CRISIS.** It's all around you. People are losing homes and jobs as their assets and savings decline in value. This recession is one of the worst in anyone's memory. In an economy where staying afloat has become a challenge, we wanted to know: How are you doing? To find the answer, we posted a Financial Crisis Survey on [www.blackenterprise.com](http://www.blackenterprise.com). The numbers we gathered as part of this exclusive three-month effort tell a powerful story about how African Americans are adjusting to difficult times.

**Main worries.** The "loss of investment value," as stocks continue to sink has become a prime concern for 36% of respondents. Much more pressing, though, are worries about the spiraling cost of living (cited by 52% of respondents). Similarly, rising food prices (50%), money for day-to-day expenses (50%), and increasing utility bills (43%) are causing anxiety for the BE audience.

**Scaling down.** As prices rise (and paychecks shrink), something has to give—and that something typically is an expense that can be skipped. Among survey respondents, 81% are dining out less, 81% are spending less on new clothes, 74% are reducing vacation and other travel plans, and 72% are restricting their sports and other leisure time activities.

Mel Royster is witnessing these trends in his business—and in his home life. The 51-year-old Forest Hill, Maryland, entrepreneur owns a fitness center called Body Styles by Mel. Some of Royster's clients have lost jobs, forcing them to cut back on spending. One of the first places they look? The gym membership. "It's forced me to be more creative," says Royster of his attempts to garner new clients for his personal training services and group fitness classes. He recently started making appearances on a local cable television show, where he offers exercise tips to kids. "I'm trying to market the company in ways that don't cost us anything," he says. At home, he's doing the same as other BE survey-takers—cutting back. That means everything from shopping at wholesale grocery outlets such as BJ's Wholesale Club and Costco Wholesale Corp., to seeing fewer movies at the local theater. Says Royster: "We're doing more things at home."

As it happens, our survey respondents aren't very different from other Americans, who have increased the amount of money they're saving. The Department of Commerce reports personal savings rose to 5% of incomes in February, a major reversal of a decade-long trend. But as spending declines, 59% of BE readers say they are using credit cards less frequently. In fact, 42% of those answering the survey reported paying down outstanding credit card debt, while 42% say that they're trimming other debts as well.

**Cutting back on investments.** Among survey respondents, 44% cited "having enough money to retire" as a major concern. Fahamisha Brown, 67, took matters into her own hands when her employer recently stopped making matching payments to her retirement plan. The Staten Island, New York resident is an associate professor of writing and humanities at Metropolitan College of New York. This year, she began putting an extra \$100 per month into her 403(b) retirement savings account to make up for the money her employer stopped contributing. To balance the additional savings, Brown says she's going out less, seeing less live entertainment, and buying fewer books. "That's hard for a book-aholic like me," she says. "But I'm trying to get my credit cards paid off before I retire in three years."

Unlike Brown, 21% of survey-takers reported decreased investment activity in IRAs, 401(k)s, and other retirement plans while only 12% said they had increased their investments in such accounts. Drilling down, observers saw one cause for unease among the responses. Some 22% of the survey respondents said they had decreased their investment allocation of stocks while just 5% reported an increase. Such pessimism might turn out to be ill-founded, even considering how stocks have struggled lately. Why the concern? For our survey respondents (median age of 40), beaten-down stocks may be a good choice for investing for a retirement that might not start for 20 years or more.

For many survey respondents, paying down debt is important now. "I'm putting more money on my debts, including student loans," says Eula Young-Guest a 50-year-old New Yorker who co-owns Griot's Roll Film Production & Service Inc. with her husband, Derrick Guest. Young-Guest is paying down debt, even as her business has seen a decrease in activity. The couple's primary customers are nonprofit organizations, who use Griot's Roll to help produce training and promotional videos. "The economy is affecting our business," says Young-Guest. "Our customers don't

have the money to spend on advertising and marketing now." As a result, Young-Guest, her husband, and their 8-year-old daughter, Shasee, are pinching their pennies. "I brown bag it. I cook four or five meals over the weekend, freeze it, and bring it to work for lunch," admits Young-Guest. "We're clipping coupons too."

**Working more.** More than half of survey respondents (54%, to be precise) reported that they are "seeking additional employment" in response to the financial crisis. That includes looking for a part-time job in addition to their current work. With layoffs spreading to all levels of company hierarchies—and in a variety of industries—employers may be looking for part-time help to fill income voids.

**Looking ahead.** The financial crisis hasn't sapped optimism. Indeed, more than 46% of our respondents believe the U.S. economy will get better in the next two years. The BE audience, therefore, seems to be a bit more optimistic about the future than some economists and other observers who see America going into decline after years of investing too little and spending too much. Explaining her own sense of resolve, Brown says that as a child of Depression Era parents, she learned not to worry in times like these. "I saw my parents feed six people on \$2 a day," she says. As for the broader optimism among BE readers, she notes that African Americans "are an extremely resilient people."

Regardless of what the future may hold, survey respondents generally are on the right track. They are prudent, practical, and looking forward to brighter days ahead. They're spending less on nonessentials, paying down debt, and looking for extra income. The next step, once those debts are under control, may be to rebuild their IRAs and 401(k) accounts—and tiptoe back into the stock market.

—Donald Jay Korn & John Simons

WHICH OF THE FOLLOWING ARE YOU MOST WORRIED ABOUT SINCE NEWS OF THE ECONOMIC CRISIS?

