Resourcefulness: Embracing the New Frugality in Tough Times

AAFCS TIS Community and FERM Community

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How Many of You Were Personally Affected by the Great Recession?

2013 Rutgers Study (N = 1,090 nationally representative sample)

- 73% either lost a job themselves or had a household member, close relative, or friend lose a job
- 56% reported having less money in savings after recession
- 6 in 10 believe that U.S. economy has undergone a permanent change

Background Statistics

• Weakest U.S. economic recovery since WW II
• Slow recovery slog feels like a recession
  – Hard to recover when earnings tread water or decline
  – Deleveraging debt also slows economic growth
• 9% of Americans (4 million) moved locally during 2007-2009 Great Recession
  – Many moved to cheaper housing or to “double up” with family and friends
• Steep decline in U.S. birth rate (especially among immigrants)
“New Normal” Analogy

The “New Normal” and Trump Plaza Hotel Penthouse (Atlantic City, NJ)
“New Normal” Characteristics

An extended period of:

• Slow U.S. economic growth (GDP)
• Stubbornly high unemployment levels
• Precarious job security (public and private sector)
• Struggling housing market
• Tightened credit standards
• Increased precautionary household savings and debt repayment
• Constrained household spending
• “Broken promises” (salary, benefits, etc.)
Baby Boomers and Older Gen Xers Especially Affected By the Financial Crisis

• Fully experienced, not just one asset bubble- BUT TWO- during long stretches of their working lives
  – “Tech Bubble” and extraordinary run of double-digit stock market returns in late 1990s
  – “Housing Bubble” during much of the 2000s

• Money Magazine (April 2009):
  “A generation of Americans grew into middle age thinking that they had more wealth than they really did and their future was a lot more secure than it really was.”
Responses to Tough Economic Times

- Work longer until retirement (if possible)
- Move to downsize housing costs
- “Moonlight” for extra income
- Access public benefits
- Increase human capital
- Save less or save more
- Sell possessions
- Resourcefulness

[AAFCS logo]
Group Brainstorming Activity: How Can People Reduce These Expenses?

- Food
- Clothing
- Housing
- Utilities
- Insurance
- Travel
- Entertainment
So What Exactly is Frugality?

- “Economy as in the expenditure of money or the use of material resources”
- “Costing little; inexpensive”
- “The lack of wastefulness”
- “Avoiding waste, lavishness, or extravagance”
- “Being sparing, thrifty, prudent, or economical in the use of consumable resources such as food, time, or money”
Quotes About Thrift

• “I believe that thrift is essential to well-ordered living.”

   John D. Rockefeller, wealthy industrialist and philanthropist (1839-1937)

• “Thrift was never more necessary in the world’s history than it is today.”

   Francis H. Sisson, VP, Guaranty Trust Company (1920s)

• “Whether we’re talking about socks or stocks, I like buying quality merchandise when it is marked down.”

   Warren Buffet, Investor and CEO (1930-)

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10 Resourceful Strategies to Take to the Streets

[Image of a person riding a bicycle on a road with a dollar sign]
1. Couponing

• Use for supermarkets, restaurants, department stores, entertainment venues, etc.

• “Single Play”- Use coupon alone to lower price

• “Double Play”- Sale price or markdown + coupon

• “Triple Pay”- Sale price/markdown + coupon + product rebate or other reward
Extreme Couponing

• Subject of reality TV show: http://www.tlc.com/tv-shows/extreme-couponing

• The activity emphasizes accumulating large quantities of “stuff” as well as saving money

• Disadvantages include wastefulness, overspending (spending money to save money), clutter, and hoarding
2. Reselling

• Ideally, want to “buy low, sell high” (like stock)
  – Some people arbitrage “stuff” to make money
  – Example: buy at garage sale; sell at consignment store

• Provides a way to get some money back on
  • Unwise purchases
  • Outgrown items
  • Inherited estate sale items
  • “Spendster” items (see http://www.spendster.org/)

• Venues include online, garage sales, flea markets
3. Consigning

• Place items with a consignment shop for sale
• Generally only items in very good condition
• Agreed upon split of sale proceeds (e.g., 60/40)
• Designated time period for sale
• Can take proceeds in cash and/or store credit to buy merchandise
4. Thrifting (Thrift Shop Use)

A Real “Win-Win-Win-Win”

– Non-profit organization gets needed funds
– Donors get tax deduction and satisfaction from helping the non-profit and other people
– Shoppers get great deals on clothes, housewares, furniture, home furnishings, etc.
– The environment is helped by less landfilling and reuse of items
Bag Sales: A Thrift Shop on Steroids!!

Personal Experience: Four bags @ $5 = $20
40 usable items @ 50 cents (jackets, shoes, suits, pants)
18 other items donated to Fire Department clothing box
Thrifting through Yard Sales

Check your local paper, bulletins, Craig’s list

• Community sales are the best use of your time
• Church and organization sales
• Fill a bag for a buck
• Early bird or late in the day?
• Curb alerts
Thrifting at Your Favorite Stores

• Get to know the sales people for a heads up

• Learn days and times of month for markdowns

• Use store coupons and sales to double dip

• Learn their automatic reduction policies

• Ask for markdowns on items that need repair

• Store credit cards...value or not?

• Love those Dollar Stores!
5. Renovation

• Refinishing furniture
• Gluing or nailing broken furniture
• Caning and rushing chair seats
• Painting and repolishing items
• Removing marks and stains
• Sewing hems, rips and tears, etc.

• See http://pinterest.com/paperstories/home-renovation-ideas/ for great photos

• Other ideas?
Repainted Furniture
6. Repurposing

• The use of something for a purpose other than its original intended use
• Can be done by modifying an item or simply using it in another way

Examples:
Two tables into a hutch and a wine rack into a towel rack

Other ideas?
More Repurposing
Still More Repurposing
7. Recycling

• Re-using a product beyond its intended use or producing new products from recyclable material

• Find a “new home” for products
  – Resource: http://www.freecycle.org

• Take advantage of recycling trash containers and recycling garbage pick-up services

• Helps people get rid of “stuff” responsibly

• Prolongs the usefulness of landfills
Joyce’s Recycle and Revisit Slides
Kindle Covers from Placemats
From a Thrift Store Party Dress
From a $2 Chico’s Jacket
Perfect for Wool Felting
Recycle into Party Purses
8. Do-It-Yourself Projects

Building, fixing, and/or doing things

- Crafts from fabric scraps and raw materials
- Wood-working from wood scraps
- Mending clothing
- Fixing cars, computers, etc.
- Home-made meals
- Other ideas?
9. Homemade “Commercial” Items

• DIY gifts and gift baskets
• Jams and jellies, baked goods
• Homemade cleaning products
• Artwork and crafts
• Needlework
• Other?
10. Internet Resources

• ebay: http://www.ebay.com/
• Etsy: http://www.etsy.com/
• craigslist: http://www.craigslist.org/
• Pinterest: http://pinterest.com/
• Overstock: http://www.overstock.com/
• ioffer: http://www.ioffer.com/
• Bidville: http://www.bidville.com
Group Brainstorming Activity: How Can FCS Professionals Take This Information “to the Streets”?
Continue the Conversation and Take it to the Streets!

See

http://www.aafcs.org/Advocacy/financialimpact.asp