

Stimulus won't be impetus to splurge

Prices bite spending spirit

People's needs, rather than wants, likely to drive where cash goes

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The Salt Lake Tribune
Salt Lake Tribune

Article Last Updated:05/10/2008 11:11:49 PM MDT

You aren't going to find Toby Dillon of Tooele shopping for a new television set or any other big-ticket item when his economic stimulus check arrives. The married father of three plans to use the money to pay down credit card debt.

Troy and Diana Smith of Murray plan to stash theirs in a savings account. And Dorothy Talbert, a retired librarian in Salt Lake City, says she'll donate her money to one of her favorite causes.

The stimulus money, up to \$600 per adult and \$300 per child, is being sent to an estimated 130 households nationwide as part of a plan passed by Congress and endorsed by President Bush. The government is encouraging families to go out and spend money to help the struggling economy.

Many undoubtedly will go out and buy new TVs, electronic gadgets and other big-ticket purchases with the money. But in interviews with about two dozen Utahns of all ages and incomes, it is clear that many have more practical plans for their money.

Utah's economy is faring well amid a national downturn, but scores are experiencing angst about the choppy stock market and the downturn in the housing market. And many residents are feeling the pinch of higher credit card rates and rising food, gas and energy costs.

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Gas, food take big bite: If the latter weren't taking such a bite out of her budget, retiree Loretta Carter of Murray might be splurging at least a little. But Carter, who relies on Social Security and a small pension, instead will be spending her \$600 stimulus payment on much-needed repairs to her mobile home.

Carter said increases in the cost of gasoline and food have made for trying times.

"I'm trying to cut back," she said. "I paid \$27 for 8.22 gallons of gas the other day, if you can believe it. Isn't that absolutely crazy? Then I went to the grocery store, and everything has gone up there, too."

Carter said she's irritated by the government's message to go out and spend the stimulus money.

"That's what they say, but I don't think most people are going to be able to do that," she said.

Knowing many people are worried about rising food costs, both Smith's Food & Drug and Albertsons grocery chains are offering customers who exchange tax refunds or rebates for store gift cards a 10 percent bonus, up to \$120 on a \$1,200 refund or rebate.

Retail giant Wal-Mart said it will waive a fee of up to \$3 to cash economic stimulus checks - no purchase required. Its stores also will load the money on to a prepaid Visa card that can be used not only at Wal-Mart, but also anywhere Visa debit cards are accepted worldwide.

Scores of other retailers are offering promotions as well. In fact, the number of promotions focused on the stimulus payments has begun to proliferate as the first people get their money.

People receiving their rebate via direct deposit and with the last two digits of their Social Security number from 00 to 75 were set to get their money through last Friday. Those with Social Security numbers ending from 76 to 99 should have their money by this Friday.

People receiving their checks via the mail will get their money later, with the government mailing checks between Friday and July 11.

The IRS say most of the stimulus payments, whether made electronically or by mail, will be sent out by the end of next month.

Many economists disagree on just how much of an effect the stimulus payments will have, given the higher food and gasoline prices.

But one thing is for sure: Many people have uses far different than spending in mind for their tax rebate.

Amie and Joshua Clayton of West Jordan are using part of their rebate on a Sony PlayStation Portable for their 7-year-old son as a reward for having met a first-grade reading goal. They may also buy a laptop computer.

But the lion's share of their check will go toward paying down debt, Amie Clayton said. Financial planner Paul N. Winter isn't surprised.

"There are so many people who are cash strapped and in debt that I suspect a lot will go to debt repayment," he said. "I don't think that's what the government had in mind, but that's probably the best use of that money for a lot of people."

Amber Izarraraz of West Jordan, a single mother of three children, ages 9, 10 and 13, is plowing her check into an auto detailing shop she's opening in West Valley in hopes of making a better life for her children.

Like other Utahns, she said she isn't sure how effective the government's "spend your tax rebate" message is going to be.

"They can tell people to do that," she said. "But some people just don't have the option of splurging right now."

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What are the economic stimulus payments?

* **One-time checks from the federal government to 130 million households nationwide.** Payments are as much as \$600 per person, or up to \$1,200 for married couples. Parents also get \$300 for eligible children younger than 17. Taxpayers must meet certain criteria to get the money; those with the highest incomes may see the amount of their payment reduced or eliminated.

Why is the government doing this?

* **There is the hope that consumers will spend the money,** which should help an economy battered by the economic downturn.

When do I get my money?

* **People receiving their rebates via direct deposit get their money first.** If the last two digits of your Social Security number are from 00 to 75, your money should already have been deposited. Those with numbers ending from 76 to 99 should have their money by Friday.

* **People receiving their checks by mail will get their money later.** The government will mail checks between Friday and July 11.

How can I get more information?

* **Call 800-829-1040** or go to **www.irs.gov**.

What should I do with my money?

* **If you have balances on credit cards,** student loans or any other debt with interest rates higher than 8 percent or 9 percent, paying down that debt is a good use of your rebate money.

* **If you have no cash savings,** you may want to put some in a savings account for emergencies.

* **Consider putting the money in a low-cost mutual fund.** Invest an \$1,800 economic stimulus check now, and you could have \$7,000 within 20 years, assuming you earn 7 percent annually.

Source: Paul Winter, Five Seasons Financial Planning

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