

**TO:** Distribution  
**FROM:** Michael Marx  
**DATE:** July 6, 2010

## **Background**

This represents the latest monthly summary and analysis of the major indices of consumer confidence, both current and future.

Please feel free to share this information with your issuer and merchant clients.

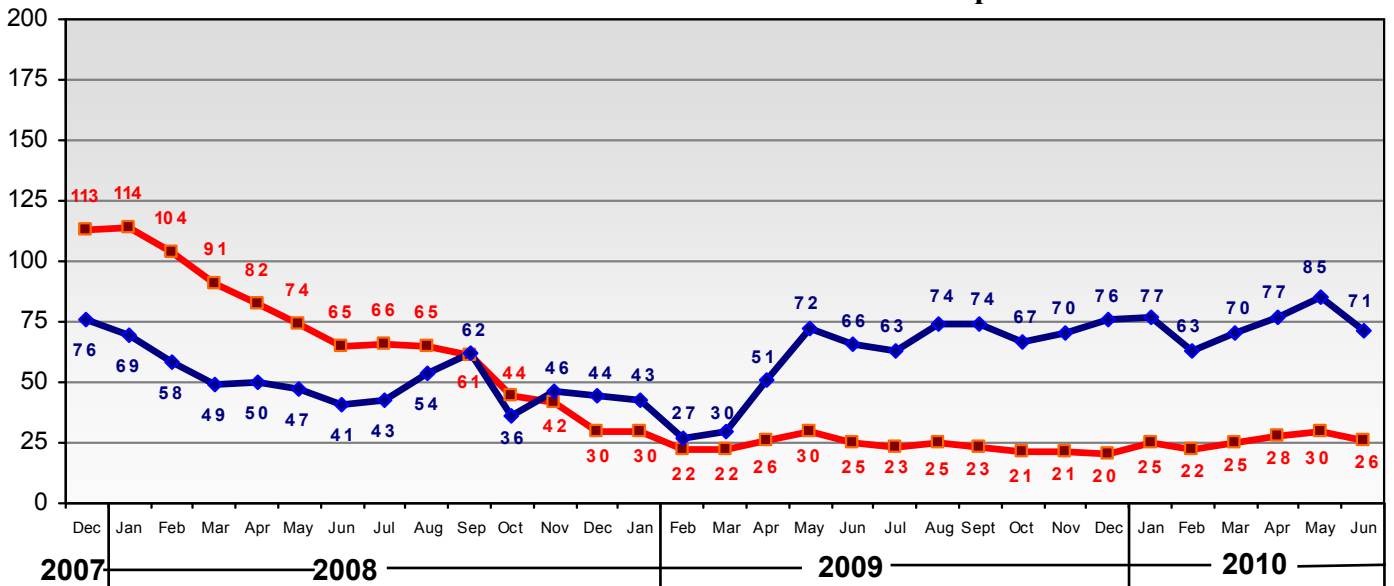
## **Summary**

- Consumer confidence fell substantially in June led by a marked drop in future expectations confidence.
- Business conditions confidence also fell after three months of increases.
- The recession is having a particularly strong impact on the Sandwich Generation, those consumers with both adult children and living parents.

## **Findings**

Consumer confidence dropped sharply in June after three months of gains, surprising analysts who expected a more moderate decline. This decline was driven by a 14 point decline in future expectations confidence, while present situation confidence fell a more modest four points. These declines wiped out the gains made in the previous three months. Despite the decline in June, confidence continues to trend in a narrow range over the past year reflecting consumer uncertainty and ambivalence.

## Consumer Confidence—Present Situation and Expectations



Index—1985=100

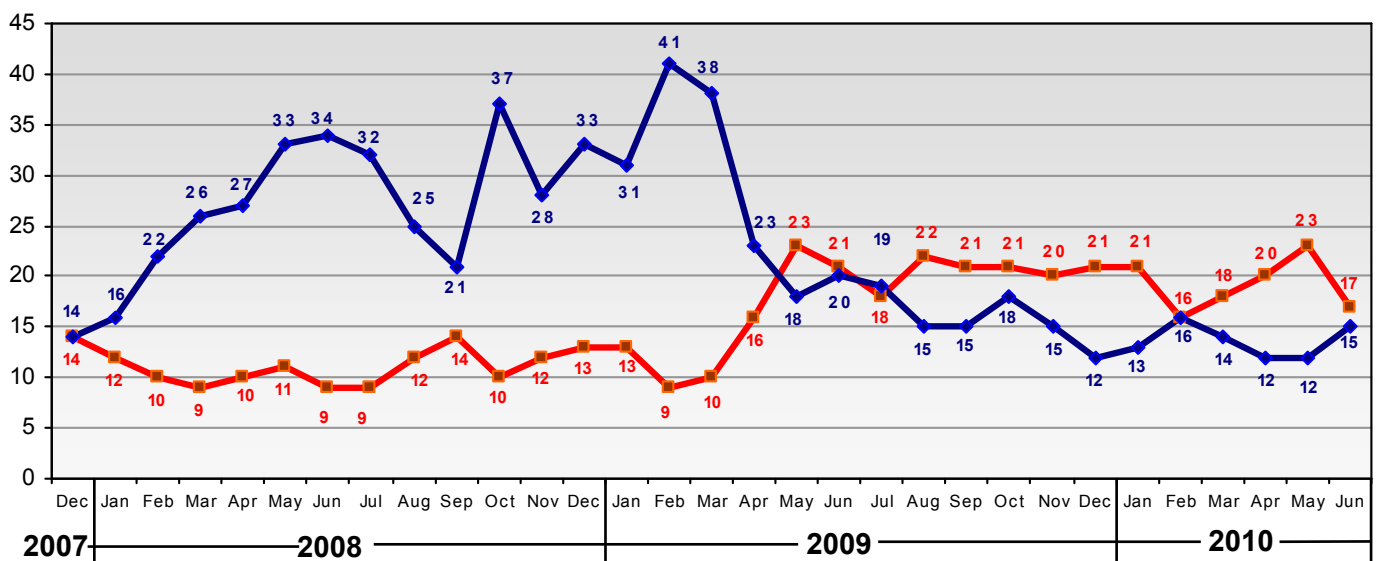
■ Present Situation

◆ Expectations

Source: Conference Board—Consumer Confidence Survey

Business conditions fell sharply in June after three months of increases. Those who felt conditions would improve dropped six points, and the percentage who felt conditions would worsen rose three points. This places the net position at +2, below the past year average

## Business Conditions—Next Six Months



■ Business Conditions - Better

◆ Business Conditions - Worse

Source: Conference Board—Consumer Confidence Survey

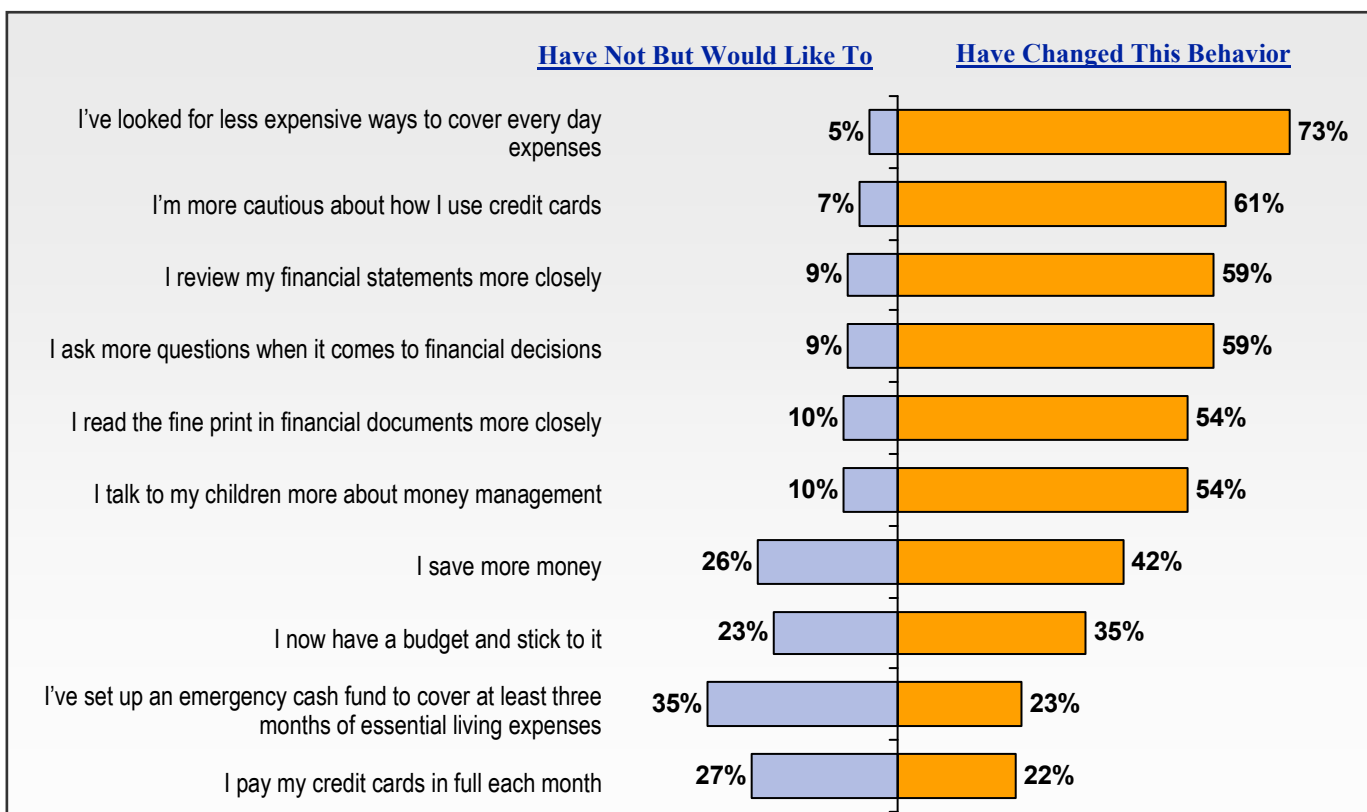
One segment of the US that continues to grow is that group that has both children and at least one parent living. Estimated at over 30 million households this segment, known as the Sandwich generation, is especially pressured in this recessionary environment. Those in this segment who are Baby Boomers are especially impacted as they edge closer to retirement age while still retaining significant financial responsibilities for both their children and their parents.

Schwab recently released a study on those in the Sandwich generation who specifically have grown children (23-28) and one parent currently alive. The results present a mixture of optimism and worry in today's environment.

On an optimistic note, these Sandwich consumers feel that their children will be more successful than they are with almost half (49%) feeling this way compared to only 18% who feel their children will be less successful. However, these consumers are also aware how dependent these children still are financially. The vast majority (86%) of respondents indicated they were financially independent of their parents when they were 25, but only half feel their adult children are financially independent of them.

Though the recession has changed some behaviors of this generation markedly, only a minority have actually begun to save more, stick to a budget, have money saved for an emergency or are paying off their credit cards in full every month. Where behavior has changed centers on being more cautious and inquisitive before making financial decisions, actually using credit cards less and looking for ways to save money. These findings present daunting challenges to financial services providers as consumers are increasingly demanding more information before making decisions, doing more research and “comparison shopping” before choosing products and services, and are approaching financial services providers with more skepticism as to the quality of deals being offered.

## Behaviors Changed as a Result of the Recession



Source: Charles Schwab 2010 Families and Money Survey, Released June 2010