

Thank God It's Friday!

May 9, 2008



### How will You Spend your Tax Rebate?

With the Economic Stimulus Tax Rebates going out to 130 million households starting this week, the question on every economist's mind is "How will You Spend your Tax Rebate?" The half-joking phrase of "An iPod in every pocket" has been coined since this bill was passed on February 13<sup>th</sup>. Obviously, many expect the too-little-too-late handout to be spent for iPods (starting out for as low as \$49 for the Shuffle) and other discretionary items like the \$399 I-phone.

A nationwide study recently done by the Institute for Financial Literacy estimates that:

- 48% of check recipients will pay off Debt
- 22% will save it
- 25% will spend it
- A measly 4% will stash it in their retirement savings accounts

To imagine that the American consumer will SAVE anything is hard to believe. Also, we have seen in the past that consumers often do very different things than what they tell a pollster....or their investment counselor! Will 48% really pay-off debt? Will 22% really put their rebate into their savings? Possibly.....With consumers feeling the pinch of \$4 gas, \$4 milk and \$4 for a loaf of bread, will they fold under the pressure and spend rather than save?

Retailers sure hope they will! They have been feeling the heat recently as consumers have been cutting back on discretionary items. Retailers have been salivating for the opportunity to get their hands on as much of the rebate checks as possible. Several retailers like Sears and Kmart are offering a 10% bonus if you shop with them. Your \$300 will get you \$330 and your \$600 will get you \$660 worth of a store's gift cards. However, some retailers are so eager to get you into their stores they will give you these deals even if you don't have a check or a statement, or even if you're not getting a rebate. They just want your business!

So what will you do??? We have polled the Bedell team and 20% of us said we will pay off debt. 10% said they will save it. 10% will contribute to their retirement savings. And 60% of us said they are going to **Spend, Spend, Spend!!!**

INDEX	05.09.2008	12.31.2007	%Change
DOW JONES	12,745	13,265	-3.92%
S&P 500	1,388	1,468	-5.44%
NASDAQ	2,445	2,652	-7.80%
Bond YIELD	3.76%	4.03%	-6.69%*

Bond Prices



Bond Yield %



By: Mike Harris