

RETAIL THERAPY

With the six life situations that cause financial hardship, job loss, job injury, medical expenses, death of a loved one, divorce or simply becoming overextended, the last two divorce and becoming overextended seem to be the most avoidable. With divorce, I have found there is a cyclical factor associated with it.

Financial troubles are the leading cause of divorce and divorce causes a financial hardship. The cyclical problem that I see with couples or divorced individuals who need my help resolving their debt crisis often began with "retail therapy."

Their overspending led to financial problems, which in turn led to financial arguments within their marriage. Arguments fueled dissention and further unhappiness, which caused more retail therapy to regain the happiness, which led to further financial difficulties, more arguments, and a greater gulf between the couple.

Ultimately, the couple arrived at an unfortunate place where they concluded that an irreparable breakdown in the marital relationship existed. At that point, they split the home, fighting

over money and other material things they must divide up and in many cases, leaving the children fatherless. As one lawyer put it, “Love is grand but divorce is a hundred grand.”

When I see this situation occurring, it always amazes me how couples could go from a time where being with each other was the happiest part of their day to where they would rather see the person dead. As one divorced person said, “I agreed to ‘until death do you part’ but he just never would cooperate.”

I wonder how couples could go from a place where loving and pleasing each other were their main concerns to a point where vindictiveness and vengeance was the order of the day. A man’s wife told him, “I agreed to be with you ‘in good times and bad.’ Where the hell are the good times?”

Longing for and remembering a happier day is the conclusion; retail therapy is how the journey begins. Retail therapy is shopping to make the person feel good or to cheer them up. As the adage says, “Money can’t buy me happiness but a couple of million would sure cheer me up.” Such is the mentality with those who practice retail therapy.

This activity, according to some theorists, does have a scientific therapeutic impact. They contend that the shopping experience releases chemicals in the brain that actually make the shopper feel good. The feelings of elation act as a temporary respite from the loneliness, dejection, emptiness or loss of self-worth that life has brought upon the person.

Retailers know about this scientific finding and market to a persons' desire to feel good. They tell us that if we only had the particular item they are selling, then our life would be easier, better, more convenient and more comfortable than it currently is.

These merchants systematically broadcast the right music to make a comfortable, relaxing and enjoyable shopping atmosphere. This experience is in grand contrast to the hustle and bustle, conflict and confusion that occurs at work or home.

The aisles and merchandise are strategically organized and positioned to assist in impulse buying. These merchants know that when a shopper feels down and the shopping environment is soothing and comfortable, shoppers are more likely to overspend, to the merchant's profitability but to the shopper's demise.

Spending to feel better is like a drug, or like eating too much, drinking too much or any other type of over-indulgence. We have all heard the descriptive phrase “shopaholic.”

With retail therapy, the more we need the more we spend. In the end, it is a temporary fix to a broader problem and has little, if any, long-term impact on our overall outlook on life. In reality, the overindulgent shopper feels worse because they have a mountain of debt to contend with and the underlying cause of their unhappiness remains.

Such was the case with a woman who contacted my office to assist her with her credit card debt. In explaining her situation, this woman confided that she racked up \$50,000.00 in credit card debt. She also confessed that to her knowledge, her husband did not know about her debt problem. She stated that if her husband found out about her overspending, he would divorce her.

Unfortunately, this type of situation is not an isolated incident. I cannot count the number of times where a man or woman called and asked to have their debt problem resolved but did not want their spouse to know.

Retail therapy overspending can be as destructive to a marriage as having an affair on your spouse. This is particularly the case where deception is involved in the spending.

One person told me that she never cheated on her spouse but she often lied to him about what she bought and how much the item cost. Her husband trusted that she was telling him the truth and she blatantly deceived him. This person's troubles with overspending were compounded by her deceiving her husband.

Trying to understand how the woman could charge \$50,000.00 on her credit cards without her husband knowing, I asked various women for an explanation. In discussing the matter, I first asked how someone could get \$50,000.00 in credit card debt, to which one woman replied, "Let me have your credit card and I will show you how."

She said it was simply a matter of not being confined to a budget. Also, overspending can include buying more expensive items than a more prudent and constrained shopper would buy.

With respect to husbands not being aware that their spouse had \$50,000.00 worth of merchandise in the house, her comments were very eye-opening and supported by many others who I spoke

with on this topic. One woman said if she bought two or three new sweaters and put them in her drawer, her husband would never know. In the middle of her closet, she could add a dress or two or three and her husband would never know.

She could buy some shoes. "Shoes!" one woman said, "Steven, do you know how many shoes a woman can buy?"

Adding to the retail therapy ensemble of purchases, of course, has to be jewelry. Women who I spoke with commented that it would be easy to buy a few pairs of earrings, a couple of necklaces or a few bracelets without their spouse knowing.

These conversations made me wonder how a wife could wear so many new clothes, earrings, shoes and jewelry without her husband knowing. The first thing that I heard was quite amazing.

Many times the articles sat in the closet or dresser drawer without ever being worn. It looked good at the time of purchase, and it was on sale. To the person buying the item, it was the perfect article to wear to that ideal special event. That occasion, however, never occurred. They were like Cinderella with glass slippers waiting for the invitation to the ball.

The next thing said about how and why husbands do not realize that their wives had \$50,000.00 worth of merchandise was that husbands simply do not notice. Some women told me that they have to ask their husband to notice how they look before he will even comment.

I was wondering what the woman with \$50,000.00 in debt would have said if her husband told her she looked like a million bucks. Maybe she would say, "No. It is only \$50,000.00 and I charged it on our credit cards."

The times when the husband commented about a new item, women told me it was easily dismissed. The common answer went something like this, "This old dress, I have had it for a long time. I picked it up on sale but we never went anywhere for me to wear it." A long time for her might have been three days and the attention immediately went from her spending to her husband not paying attention to his wife or taking her places.

Before someone concludes that I believe retail therapy is a gender specific phenomenon, I must say that I have found overspending to be an equal opportunity venture.

From working with people to resolve their debt problems, I think there is definitely some truth to the saying, "The only difference between a man and a boy is the price of his toys." With one of the finance companies I worked for, I found that boats, motorcycles, dirt bikes, four wheelers and jet skies were frequent purchases made by men, many of whom lacked any significant discretionary financial resources to pay for these toys. Of course, to have these toys, it was essential to buy something to haul them to the "playground." Another "needed" purchase was the trailer and in many cases a pick up truck.

There is another type of overextending that I have seen where a husband did not want his wife to know. Commenting about this type of spending with a female legal colleague, in true lawyer fashion, I said to her, "At least men know how to do retail spending right; they spend it on their mistress." This, of course, is the worst kind of spending, yet it occurs too frequently.

I recall a case where the executive assistant to the president of a company sued for harassment. This woman was a stunning 5-foot-10 inch statuesque woman with red hair. Her boss was dynamic, charismatic, successful and well respected in his

professional field and in many social, civic and commercial circles. Additionally, he was a married man with children.

The woman alleged that she and the company president had an intimate relationship that lasted over two years. She finally ended the relationship because the man never fulfilled his repeated promise to leave his wife.

The woman remorsefully stated that the relationship was the worst thing she ever did. She wished that it never happened.

She was upset with herself that it took too long for her to accept that what she was doing was wrong. She knew she was harming herself by having an affair with a married man who was also her boss.

After she ended the relationship, the woman alleged that the president made her work life miserable. She contended that the work environment finally got to the point where she had to resign her position and take a job with another company at less pay and professional responsibility.

During the conversations with the woman, she indicated that the president took her on business trips with him. As the executive assistant for the president, one of her jobs was to pay the

company credit card bill; thus, she had access to and copies of the expenditures on that card.

Included on the billing statements and company travel logs were plane tickets in the president's and the woman's name for identical trips. At the same time, there was only one hotel room paid for on the company credit card. Justifying this apparent inconsistency, the president stated that he always paid cash for the assistant's room so he did not have to explain the additional expenditure for business tax purposes.

The woman also indicated that the president would tell his wife he was going out of town on a business trip but never leave town. Instead, he would stay with the woman at her condo. This second act of indiscretion was his ultimate downfall.

To access the complex there was a security door with a telephone to call the resident who would then buzz the person in. With this woman's unit, the security process did not work.

When the president arrived at her condominium, he would call her from his cell phone so she would know he arrived and be able to let him in her home. To "visit" her, the president would make these types of calls frequently at three and four in the

morning and in many cases would then arrive at work concurrently with the assistant at eight or nine in the morning.

Denying the allegations of a relationship with his assistant, the president, in sworn testimony, stated that the reason for the frequent early morning calls to his assistant was completely innocent. He said the calls were for the sole purpose of giving the assistant a wake-up call so she could get up and get ready for work. That way she could arrive to work on time.

At that point I simply said that I couldn't wait for the case to go to court so I could hear the president of a successful and profitable company say he continued to employ an administrative assistant who he personally had to give wake-up calls to so she could get to work on time. Miraculously, later that day I received a call from the president's attorney indicating that they wanted to settle the matter.

I received great enjoyment in seeing that president pay for his disgraceful acts of indiscretion and his shameful conduct after the relationship did not go the way he wanted it to go. I received similar pleasure litigating cases against men who failed to pay

their credit card bill after charging romantic gifts to shower on their mistresses.

I remember on one occasion, the man was not paying his credit card bill. In preparation for litigation, we pulled a history of charges to his account. On this man's credit card statement were multiple flower shop purchases, multiple purchases at the most famous lingerie store, charges to intimate restaurants and monthly payments to various utility companies. For the experienced collector, these purchases presented an immediate "red flag" that they were made to support someone outside of his household.

The pre-litigation collections person stated that she called the man and told him his account was in pre-litigation and he needed to pay off the account or risk being sued. In response, the man became agitated, argumentative and belligerent.

At that point, the collections person pointed out some of the purchases he made and said the magic words, "I hope these purchases were for your wife." The man became even angrier but miraculously and immediately found money to pay off the bill.

When I get calls from men who need help with their debt problem and do not want their wives to know about their

purchases, I am tempted to ask, "How about your girlfriend?" I wonder if she should know that her meal ticket and freebees are about to end. Perhaps she would want to know that it is time to find another person to share her retail therapy sessions.

Overextending is a national problem. Statistics show that for the decade beginning in 1997 and ending in 2007, the average credit card balances in America increased by approximately 75%. Payment on this increased credit card debt accounts for 5% to 12% of the average American's annual household income.

These increased credit card purchases would not be nearly as great of a problem if the charge card debt was paid off each month. At that point, there would not be any interest charged to the account. Such, however, is not the case.

Instead, the average credit card debt for households that carry a balance is more than \$10,000. The impact of carrying credit card debt is great. Someone with a \$5,000 balance with a 25% APR who makes a \$125 payment each month would need seven years and \$5,800 in interest to pay off the \$5,000.

Without a doubt, America is in a credit crisis. Banks, credit unions and finance companies hold approximately 1.5

trillion dollars in consumer debt, including over 800 billion in outstanding credit card debt.

Four out of five American households have at least one credit card and the average family has ten or more credit cards. Currently Americans owe more in credit card debt (\$15,000 per household) than they do for higher education student loans (\$12,000 per household).

It is common for me to see cash advances taken from one credit card to pay off another credit card. Instead of stealing from Peter to pay Paul, they are borrowing from Peter to pay Paul.

The credit card issuers often view these cash advances more stringently because they advanced money to help the customer pay off the balance on a card issuers' competitor's card. If the client does not pay on the cash advances, harsher collections tactics such as litigation is generally more likely.

Another tactic used by credit card consumers was taking out a new credit card with a lower interest rate and transfer the balance from a credit card with a higher interest rate. On paper that seems to be a sound step toward a successful debt reduction plan. Too often, however, when an emergency crops up or the

need for retail therapy arises, the zero balanced previously transferred balanced card is readily available for credit card purchases. To avoid that, cut up and throw away the old cards.

Some credit card issuers view balance transfers similar to cash advances. They benefit the new card issuers' competitor. Like cash advances, balance transfers receive higher scrutiny.

Another thing that I find amazing about credit card debt comes from the card issuers themselves. It is common for a credit card company to issue multiple cards to the same consumer; sometimes four, five or more credit cards each with a maximum credit limit. I always wondered why they needed to issue new cards when they could simply raise the limit on the existing card.

A questionable moral practice used by card issuers is the immediate advancement of credit to people who demonstrated that credit for them was a current problem. Many credit card issuers send invitations to people who I work with to resolve their debt to open a new credit card. This was the case even though another credit card with that same creditor was completely extinguished in bankruptcy. What is amusing about the invitation is that it will say

the customer is receiving the opportunity to have the credit card because they demonstrated a history of good credit practice.

I will have to say that finance companies I worked for found people in bankruptcy to be wonderful potential new customers. This was particularly the case with respect to financing secured collateral that was subject to repossession if the person failed to pay for that item.

The reason for this philosophy was, since the person was in bankruptcy, their credit score was likely very low. This gave the credit issuer justification for charging a higher interest rate to those clients and thus increasing the profitability of the lender.

Another reason why bankruptcy people were prime potential new customers was that once a person emerged from bankruptcy, they could not file again for a prescribed number of years. During that interim period, if the person did not pay for the item purchased, the creditor could repossess the item, and in many cases sue the client, garnish their wages, and seize any money in their bank accounts

All these remedies were available to the creditor without any fear that a bankruptcy would wipeout the debt. No matter what was their life circumstance, these clients had to pay their debt.

With a nation of overextended people an amazing financial frailty that exists. The debt level is so high that it has eliminated the economic safety net that people once had.

With this financial frailty, if any of the six major life financial hardships (job loss, job injury, medical expenses, death of a loved one or financial contributor to the household, divorce or simply becoming overextended) occurs, it can cause immediate disastrous consequences. I illustrate this point when I talk with people or groups about financial responsibility and controlling debt, with a phrase I coined, "Most people are one catastrophe away from catastrophe."

This statement became clear with a couple who came into my law office seeking help with their financial problems. That day at the office, I was sitting with them in the conference room. The conference room had a large set of windows that show the clear, sunny, yet mild Arizona fall day. From time to time, I found

it a nice distraction to gaze out the window and enjoy a view of the sunny blue sky.

I received these clients through a referral from a person who attended the same church as the clients. From all accounts, this couple was good, church going Christians. They also seemed on the face to be the perfect couple.

Both were stunning people in their mid to late thirties. The wife had long blonde hair and a commanding presence with eloquence. For a number of years, she owned and operated successful real estate sales, investment and rental businesses.

Her husband, like his wife, was a man of great physical stature and successful in his career working in the computer electronics field. In addition to their personal appearance and success, they had the ultimate, enviable American lifestyle.

This couple seemed to have it all. They had good looks, a six-figure take home income and attended church regularly.

For ten years, they lived in a spaciously comfortable home in a quiet, safe suburban neighborhood. They had a middle school and junior high school age daughters.

As part of the ice breaking discussion, and to bring some calm to the couple while they were coming to grips with the financial predicament, I asked if they had any pictures of their children. Of course, three things are guaranteed when you make such a request: the mother always has pictures, you have to give flattering remarks about the children no matter what your personal opinion is regarding them, and you have to expect the parents to place their children in the best light possible.

In this case, the compliments were warranted. The pictures of the two girls showed that they had the physical beauty of their parents. I commented to the husband that his financial situation was the least of his problems. Keeping the boys away from his daughters was going to be an impossible task.

Jokingly, he asked, "How many guns can I keep out of the bankruptcy?" Any father of two beautiful daughters can appreciate his question.

The girls were also good students and popular at school and with their friends outside of school and at church. Like many children their age, the girls were involved in athletic, social and

community activities. They excelled at all of them. These girls were the model children that any parent would want to have.

In the midst of living the “perfect life,” physical beauty, the suburban lifestyle, great career achievements and the American dream family, a life-changing situation hit them. The wife’s businesses collapsed, which resulted in about a 40% reduction in the household income. Even with the loss of over \$100,000 per year out of the family household income, this couple still took home a six-figure income per year.

In talking with this couple, I should not have been amazed since it is common to see people who with high take-home pay drowning in a mound of debt. I saw a surgeon who was wondering how to extinguish a half a million dollars worth of debt, excluding his student loan, house or car payments. Each time a situation like this arises, I wonder how they could wind up in the position they found themselves in when they made so much money.

This particular day, another common occurrence with couples who are in financial distress happened, they began to argue over who was responsible for getting the family in their

financial distress. First, in response to my comment about liquidating some assets the wife gave the first shot.

The couple had a number of expensive toys including a boat, multiple jet skies, multiple four-wheel off-road vehicles, a truck and trailers to haul the items. They both had additional luxury vehicles for day-to-day driving. When they were not enjoying the Arizona outdoors using their toys, the couple had access to two time-shares for vacation options and a second home for use to escape the blazing Arizona summer heat.

They had many amenities, which you would likely find in the home of a person working in the computer and electronics field such as more televisions than people. Their daughters each had their own television, DVD player, computer and cell phone; just to name a few of the electronic items these girls had.

As we were inventorying the belongings, the wife said something like “If you didn’t have to buy all these toys, we would not be in this situation.” It was obvious that the words hit her husband’s ears before mine, because by the time I could think, “this can’t be good,” his response came flying back.