

Americans' Spending Is Out of Control

■ The American consumer's love affair with plastic is not over, as outstanding credit card debt in the U.S. topped \$1 trillion at year-end 2016.

Chris Metinko Mar 28, 2017 11:27 AM EDT

 **TheStreet Video**

The American consumer's love affair with **plastic** is not over.

Outstanding credit card debt in the U.S. topped \$1 trillion at year-end 2016 according to the payment trade publication The Nilson Report. For comparison sake, there was \$1.4 trillion at yearend of student loan debt.

"Over a 50-year period of normalization, consumers think of credit card spending as their own readily-available money rather than what it actually is — a loan," said Rakesh Gupta, associate professor at the Adelphi University Robert B. Willumstad School of Business. "Also, I think there is another psychological factor at work — a wad of money shrinks as you spend it, but the plastic remains the same size no matter how often it is used."

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Gupta said many have fallen in love with instant gratification — and do not spend the time to distinguish between whether the item to be purchased fulfills an actual "need," or just serves as a "want."

"American's reliance on credit cards is really a symptom of a lack of **savings**," said Pedro Silva, a financial advisor at Provo Financial Services. "If folks have \$20,000 or \$30,000 in non-qualified savings, they would not have \$20,000 or \$30,000 in credit card debt."

Changes in society and lifestyles also have played a role. Over the past 30 years, Americans have increased the amount of "**essentials**" to include cell phones, internet costs, cable television, DVR, subscriptions to Netflix and more, said Silva, all cutting into possible savings more and more.

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