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800 N. Kings Highway
Ste. 300
Cherry Hill, NJ 08034

877-809-4345

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CREDIT & COLLECTION NEWS

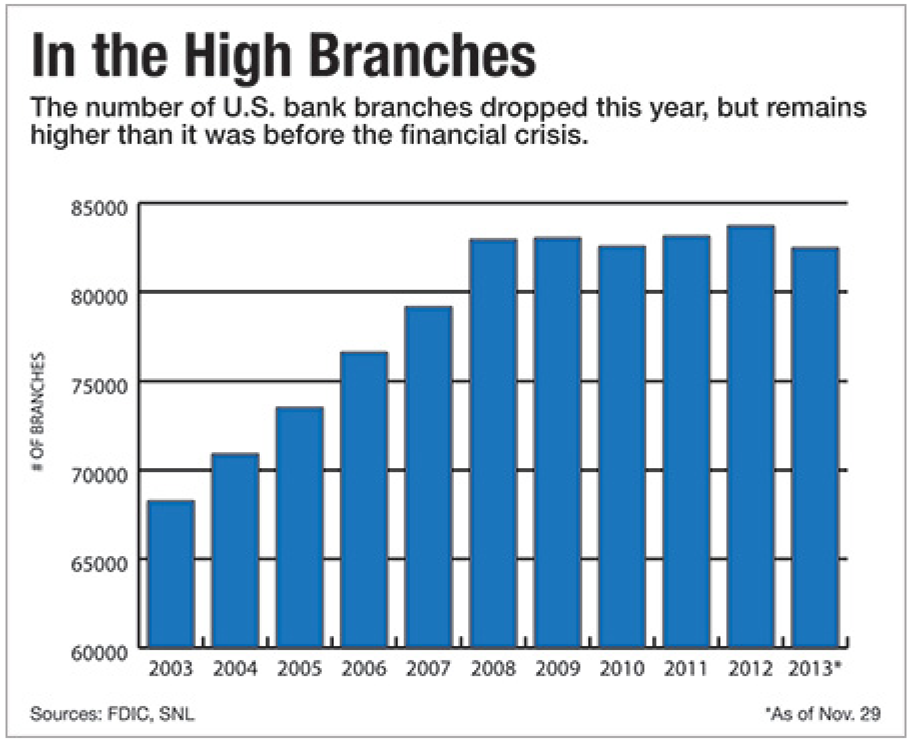
DECEMBER 2013

Happy Holidays!

Best wishes for a joyful holiday season and a happy and healthy New Year!

~ from the Saldutti, LLC staff

THE END OF THE LOCAL BANK BRANCH?



For years, bankers have bemoaned the looming death of the traditional bank branch. Now it looks like it's actually starting to happen. Last week, a slew of banks announced branch closures, including JPMorgan Chase, Regions Financial and TCF Financial. While these cuts are notable, they are more cosmetic than transformative – more of the careful pruning around the edges we've seen since the financial crisis. But those handfuls of closures were overshadowed by a far more intriguing – and potentially game-changing – plan from PNC Financial.

After years of bank executives acknowledging that they will eventually have to do something about their outdated and expensive branch networks, PNC Chief Executive William Demchak appears to be taking the plunge. Besides closing some branches, he announced plans to overhaul most of his company's remaining physical locations in the next 5 years, retraining the staff, and rethinking the layouts to incorporate more of the technology that most bank customers now use. While 90% of PNC's 2,700 offices are in the traditional mold, Demchak wants to dramatically shrink that proportion by the end of 2018, turning two-thirds of PNC's network into smaller, more automated locations.

This sort of dramatic, ambitious plan is long past due. Bankers have spent a lot of time discussing what to do about branches, without making any big decisions. More and more customers are doing most of their banking online or on mobile phones, turning most banks' sprawling locations into city-corner showrooms or special-occasion destinations, reserved for the handful of visits to take out a small business loan or a mortgage.

The financial crisis, while dramatically shrinking the number of banks, actually saw the survivors expand their physical presence. The overall number of U.S. banks has dropped by 19% since the end of 2007, when the FDIC reported 8,533 insured institutions. But the number of branches has gone up by 4% in the same time period. There were 82,467 branches in the United States at the end of November – the lowest number in 5 years, but still above the 79,153 there were at the end of 2007, according to SNL Financial and the FDIC.

Many industry members expect the number of branches to drop more in coming years. Bankers recognize that the days of spending an average of $3 million to open a 5,000-square-foot showroom are quickly coming to an end. Banks including Wells Fargo, HSBC and Citigroup have played around with the size and features of their branches, building smaller locations or ones with fewer human tellers and more video screens.

All of the current branch shrinkage has been incremental and fairly conservative, which is to some extent understandable. Closing branches haphazardly, without a firm and well-researched strategy to make sure banks will not lose customers, is obviously a bad idea. But so is ignoring the irrevocable changes in what most customers expect from their banks. Now that PNC has taken the leap to redirect the future of its branches, it will be interesting to see if more banks will move past their baby steps.

Source: American Banker

IS THIS THE MOST IMPORTANT CHART OF 2013?

The Federal Reserve's latest quarterly Flow of Funds report revealed the first increase in U.S. household debt since before the financial crisis in the third quarter of 2013. In short, Americans have stopped paying down debt, and releveraging has officially begun.

Business Insider asked portfolio managers, strategists, analysts, and economists across Wall Street for their opinion on the significance of these recent statistics. "The, frankly, token attempts at cutting back over the last few years are over, and it's back to business for U.S. households," said James von Simson, a portfolio manager at Thurleigh Investment Managers.

There is a strong sense that this bodes well for the U.S. economy. "After five years of persistent debt pay-down by households, the U.S. private sector deleveraging cycle appears to have come to an end, and with it is the increased prospect for a more sustained economic rebound," said Millan Mulraine, a director at TD Securities. "The first quarterly increase in mortgage debt and sharp rise in credit-card borrowing in Q3 (shown in this chart) marks a crucial turning point for the U.S. recovery, and it suggests that consumer spending activity could again become an important driver for sustained growth going forward."

Cullen Roche, founder of Orcam Financial Group, agrees. "This is a clear sign that the household credit crisis is coming to its final chapters and that the U.S. economy is officially stepping out of a very nasty chapter in U.S. economic history," said Roche.

Now, we won't have to hear talk about deleveraging in the U.S. anymore, according to Matt Busigin, principal author of Macrofugue Analytics. "This is both healthy and sustainable as long as the pace (of debt expansion) is below the rate of national income growth," said Busigin. "Deleveraging as an investment and economic theme is over."

Source: The Business Insider

WEALTHY GO FRUGAL THIS HOLIDAY

It's not just low-income shoppers who are pulling back on spending for loved ones and themselves this holiday season. Wealthy folks are watching their dollars, too. While the most well-heeled shoppers still think nothing of dropping $4,600 on an Hermes tote, cracks have appeared in the $94 billion U.S. luxury market, especially for companies that cater to "Henrys" - High Earners Not Rich Yet. Coach Inc. has said customers plan to spend less on gifts and that mall traffic fell sharply last month.

Analysts predict Nordstrom Inc.'s fourth-quarter sales may grow less than half the year-ago pace of 6.1%. Tiffany & Co.'s third-quarter comparable sales in the Americas were barely higher. Even before Black Friday, Saks Inc., Neiman Marcus Group Inc. and Nordstrom offered 40% off on many brands.

With memories of the 2008 financial crash still fresh, some wealthy shoppers are questioning whether stock market gains to record highs are sustainable and cite conflicting reports about the economy, said Robin Lewis, a New York retail consultant.

While the Federal Reserve reported that home and equity market gains spurred household wealth from July through September, the so-called wealth effect hasn't resulted in a commensurate gain in spending. Some of the wealthiest will be less flush this year as Wall Street banks shrink bonuses. Goldman Sachs, along with the investment-banking divisions of six of its biggest U.S. and European rivals, allocated a collective 39% of revenue for compensation in the first nine months, down from 42% a year earlier.

Last week, the Commerce Department reported that the U.S. economy expanded 3.6% in the third quarter, faster than initially estimated. Yet burgeoning inventories drove much of the growth, increasing the most in 15 years. If sales pick up this holiday season, retailers will be able to work through the pileup of merchandise. If not, chains may be forced to unload it at profit-pinching Luxury merchants may not battle for customers as hard as discounters such as Wal-Mart and department-store chains like Macy's. Still, Saks and Neiman have been pushing pre-sales and flash sales online and ramping up targeted e-mails to shoppers.

Unity Marketing, a Pennsylvania research firm, divides American luxury consumers into "two percenters," with household incomes of $250,000 and more, and Henrys, who earn $100,000 to $249,999 a year. Even the wealthiest aren't outspending Henrys the way they used to. Before the recession, the $250,000-plus crowd was spending as much as four times more on luxury goods than Henrys, said Pam Danziger, Unity Marketing's president. Now they're spending twice as much, she said. "They're very restrained and feeling very uncertain about their personal prospects and the economy at large," she said.

In early October, Unity Marketing conducted an online survey of 1,200 affluent shoppers. 25% said they'll spend less on holiday gifts this year than they did in 2012, while 60% said they plan to spend the same. Just 13% said they would spend more. Half the respondents said the financial health of the country is worse now than it was three months ago.

Source: Bloomberg

COST OF *12 DAYS OF CHRISTMAS* GIFTS LEAPS IN 2013

The price of lords-a-leaping and ladies dancing has spiked this holiday season, but other items mentioned in the carol "The Twelve Days of Christmas'" still cost the same as they did last year. Buying one set of the gifts mentioned in each verse costs $27,393 in stores, or 7.7% more than last year, according to the so-called Christmas Price Index that PNC Wealth Management updates annually. If you buy all 364 items repeated throughout the carol, you'll pay $114,651 – 6.9% more than last year. Last-minute shoppers who turn to the Internet will pay even more for all the gifts – about $173,000.

"We were surprised to see such a large increase from a year ago, given the overall benign inflation rate in the U.S.," said Jim Dunigan, managing executive of investments for PNC. The federal government's core Consumer Price Index rose only 1.7% this year.

In the three decades since the list was started in 1984, year-over-year increases have averaged 2.9%, which is exactly the same number as broader U.S. inflation. But it's a fickle list because the price of some items has barely budged, while others have soared.

Seven swans cost $7,000 this year, the same as in 1984, while the cost of a single partridge went from $12.57 to $15 during the same period. One pear tree to put that partridge in? Thirty years ago it cost $19.95, but will now set you back $184. The cost of nine ladies dancing is now $7,553, or 20% more than last year's $6,294, while 10 lords-a-leaping jumped 10%, to $5,243.

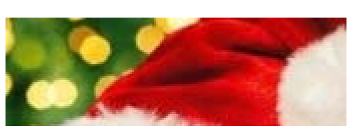
Seven items on the list cost the same as they did last year, including gold rings and turtle doves, while pipers piping, drummers drumming, and the pear tree showed only modest changes up or down.

The swans are the most expensive item at $1,000 each. The eight maids-a-milking still cost a total of just $58 because the federal minimum wage hasn't risen. At $7.25 each, they're the least expensive gifts in the song.

PNC Financial Services Group Inc. checks jewelry stores, dance companies, pet stores and other sources to compile the list. Among its sources this year were the National Aviary in Pittsburgh and the Philadelphia-based Pennsylvania Ballet Company.

Source: Associated Press

FROM OUR KITCHEN TO YOURS ...
SPIRITED HOLIDAY BEVERAGES



The holidays are a favorite time of year for many people. This cheery season is filled with parties and

events that bring the spirit of the season out in everyone. As a part of these festivities there are some wonderful drinks that you can serve that fit the holiday theme perfectly.

From traditional warm drinks to sparkling punches to eggnog, there is something to fit everyone's tastes. Get your guests warmed up and let the good times flow with these drink recipes - a great addition to your next party or casual holiday gathering. Cheers to a happy holiday!

Wassail - The namesake of the carol makes a great shared drink for a holiday party. Cloves, cinnamon, and ginger just scream Christmas, and this is a beverage that can be virgin or spiked, depending on your preference. The word "wassail," is derived from the Old Norse *ves heil* and the Old English *was hál* and means "be in good health" or "be fortunate."

- 1 tablespoon whole cloves
- 6 cinnamon sticks
- 3 tablespoons chopped crystallized ginger
- 3 3/4 cups white sugar
- 2 quarts water
- 2 quarts orange juice
- 2 cups lemon juice
- 1 gallon apple cider

1. Wrap the cloves, cinnamon stick, and ginger in cheese cloth, and tie with string.
2. In a medium saucepan, combine sugar, water and spice bag. Simmer and stir until sugar dissolves. Remove from heat, and refrigerate overnight.
3. Before serving, stir in the orange juice, lemon juice, and cider. Reheat over medium low flame, and serve warm. Be careful not to boil.

Orange-Ginger Pomegranate Punch - With orange, ginger, pomegranate, and Prosecco - the Italian sparkling wine similar to champagne -- this punch recipe will be a Christmas crowd-pleaser.

- 1/2 cup water
- 1/2 cup sugar
- 5 thin slices peeled ginger
- 2 sprigs fresh rosemary
- 2 cups pomegranate juice
- 1 cup orange liqueur
- 1 750 milliliter bottle Prosecco
- Fresh rosemary sprigs
- Orange slices

1. In a small saucepan combine water, sugar, ginger, and 2 rosemary sprigs. Cook and stir until sugar dissolves. Remove from heat. Cover and let stand 30 minutes. Strain.

2. In a punch bowl combine syrup, pomegranate juice, and orange liqueur. Add Prosecco. Serve over ice with fresh rosemary sprigs and orange slices.

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MONEY MATTERS

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