

Down economy spares no one, including the rich

(AP) -- The rich are sharing your financial pain -- and contributing to it.



Justin Sullivan, a private jet broker, says clients stop by a deli before flying, rather than pay for a \$50 boxed lunch

They are investing more conservatively, spending less on luxury goods and are being more thrifty with their credit cards. Many are asking their personal shoppers and private-jet travel providers to seek the best deals rather than over-the-top extravagances.

That news may produce a shrug from many people who have lost their jobs or homes in this economy. The problem is that when the wealthy get stingy, it trickles down to the rest of us.

"It's a sluggish economy, and its difficulties are felt all over," said Joseph DiRenzo, a married 38-year-old father of three who left a hedge fund two years ago to enter commercial real estate.

DiRenzo says he's feeling the hit in many places, especially in the value of his house on Long Island's upscale Gold Coast in Muttontown, New York.

He owns the kind of place you'd expect a former hedge-fund manager would call home: six bedrooms, seven full baths, hand-crafted Italian doors throughout, high-tech security and sound systems, and 9,000 square feet of living space on 2.4 acres.

It can be had for \$7 million -- a good deal, he says, when you consider his next-door neighbor's comparable home sold for \$9 million last fall. He has cut the price twice in the 12 months it's been on the market.

DiRenzo is looking for a smaller, cheaper home. He also may buy a hybrid to supplement the two [Mercedes](#) Benzes in his heated four-car garage. And, he's driving less these days.

The DiRenzos aren't unlike many American families cutting back to weather a downturn. They're just richer.

To be sure, the poor and middle-class are being hurt more, but upper crust thriftiness could reverberate across the rest of the economy.

The 10 percent of households with the highest incomes account for nearly a quarter of all spending, according to data compiled by research firm Moody's Economy.com from a 2006 federal survey.

"That does suggest those folks are important for the spending outlook, and the overall economic outlook," said Scott Hoyt, Moody's director of consumer economics.

Other government data show households in the top one-fifth of the U.S. population ranked by income earn about half of all total personal income before taxes -- an imbalance that gives the wealthy immense economic clout, said Sara Johnson, an economist at the research firm Global Insight.

"Consumer spending makes up 70 percent of gross domestic product, and when one group accounts for a very substantial share of consumer spending, they also account for a large share of the economic activity that creates jobs," Johnson said.

On Friday, the [Labor Department](#) reported that the unemployment rate had jumped to the highest in four years. The housing slump, tighter credit, high fuel prices and a lack of confidence is causing employers to cut expansion plans, or even let employees go.

It doesn't help when your customer base is pinching its pennies, either.

"A lot of our clients stop by a deli on the way to the airport, rather than have a catered meal on the plane" costing \$50 per boxed lunch, said Justin Sullivan. Sullivan is the founder of Regent Jet, an Andover, Mass.-based broker that buys blocks of aircraft time to trim costs for high-end clientele whose multi-leg itineraries can sometimes exceed \$100,000.

Trevor Gilman, a professional pilot, says his charter service out of western Massachusetts' Berkshires Mountains has flown about half as many miles so far this year compared with the same time last year. Consequently, the service hasn't replaced a handful of employees who recently found other work or retired.

"We're down to a total of two crews for three airplanes," Gilman said.

Unity Marketing, a Stevens, Pennsylvania-based firm whose clients include retailers in the more than \$322 billion U.S. luxury goods market, said its latest poll of affluent people nationwide found a 20 percent decline in spending on luxury goods in this year's second quarter, and the lowest luxury consumer confidence level in the nearly five years the survey has been conducted.

Just over half of the 1,024 respondents earning an average income of \$204,800 predicted they would spend less on luxury in the coming 12 months than they did a year ago.

Luxury spending fell 4 percent last year, and this year's decline is expected to be steeper, particularly for luxury handbags and clothing that don't hold value, Unity Marketing President Pam Danziger said.

"We face a very different environment for luxury indulgence in 2008 as compared to 2007," said Danziger, who predicts "a very difficult marketplace for luxury goods over the next five years."

For most Americans, the choice has been whether to give up small indulgences, such as eating out or going to the movies, to help defray the rising cost of food and fuel.

For the wealthy, the choices have been different.

"People are examining, 'Do you keep the yacht, do you go to the classic car auction, do you take the private jet?'" said Joseph Montgomery, managing director of investments at Wachovia Securities. "Those sound like nice problems to have, but at the same time, they are issues."

Although the rich may be suffering somewhat, most have a far bigger financial cushion to ride out hard times than folks living paycheck to paycheck.

DiRenzo said that despite two price cuts to his home totaling \$200,000, he doesn't plan any more.

"The high-end buyers out there are maybe more selective now, but I'm willing to wait out the storm," he said.

That hasn't been an option for many Americans who have been swept up the maelstrom of foreclosures.