



Consumer Federation of America

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Credit Union National Association

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**CONSUMERS LIKELY TO EXERCISE LESS SPENDING RESTRAINT
THIS HOLIDAY SEASON, ACCORDING TO TENTH ANNUAL
CFA-CUNA SPENDING SURVEY**

Washington, D.C. -- Consumers plan to spend more during the holidays this year than during the depths of the recession a year ago, but their spending is still expected to be more restrained than in prior years, according to the tenth annual holiday spending survey conducted by the Consumer Federation of America (CFA) and the Credit Union National Association (CUNA).

This year 43% of consumers said they intend to cut back their holiday spending, compared to 55% last year. But the 43% figure is still much higher than in the previous eight years of 2000 to 2007, a period when the percentage intending to spend less never exceeded 35% and dipped as low as 21% (in 2002).

“Consumers are telling us they will not cut back as much on spending as last year, but more so than in previous years,” said CUNA Chief Economist Bill Hampel. “Moreover, only 8% said they planned to spend more than last year, and this was the lowest percentage we have seen in the past 10 years.”

A key reason for this intended spending restraint is how consumers assess their financial situation compared to last year. Far more consumers said their situation was worse (36%) than better (19%), though nearly half (44%) said their situation was about the same.

Worry about their financial situation was also reflected in responses to an open-ended survey question asking those intending to spend less for the most important reason for this decision. Concern about the economy again topped the list of reasons this year (35.6%) as it did last year (36.1%), with more this year saying that unemployment or the prospect of reduced job hours or pay were at the heart of those concerns.

Less Concern About Meeting Monthly Debt Payments

“Many Americans say they remain concerned about their financial condition,” said Steven Brobeck, executive director of the Consumer Federation of America. “But it is good news that fewer people are concerned about meeting monthly debt payments this year than last.”

Only 24% said they were concerned about meeting monthly credit card payments this year, compared to 28% last year. And only 42% said they were concerned about meeting all debt payments this year, compared to 48% last year.”

“During these recessionary times more people have been seeking to pay down debt and build up their savings,” added Hampel. “We certainly have seen that behavior among the nation’s 92 million credit union members. Our survey indicates the pattern is continuing into the holiday season.”

The CFA-CUNA survey was conducted November 6 – 9 among more than 1,000 representative adult Americans by Opinion Research Corporation. The survey’s margin of error is plus or minus three percentage points.

Those With Lower Incomes More Concerned About Finances

In the survey’s look at demographic differences, the most striking is between those with less than \$50,000 in annual income and those with more than this amount. The lower-income group is far more likely (51%) than the higher one (38%) to say they will spend less.

More in the lower-income group ((42%) than the higher one (32%) also said their financial situation is worse today than a year ago, and those earning under \$50,000 also expressed more concern (58%) than the higher-income group (32%) about meeting their debt payments.

The former also report they are far more likely than the latter to use a \$5,000 windfall to pay off debt rather than add to savings, and to rely on borrowing rather than saving to meet an unexpected \$5,000 expense.

“There is a clear financial gap between those with incomes above and below \$50,000,” noted CFA’s Brobeck. “Even then, about one-third of the higher-income group report a worsening financial condition, concern about meeting all debt payments, and an intention to spend less.”

Ideas for Keeping Holiday Debt Under Control

CUNA and CFA suggest the following tips to avoid getting deep into debt during the holidays. “With just a little planning, consumers can substantially reduce their holiday spending without sacrificing holiday quality,” said Brobeck.

Make Budget, and a List: Right now, decide how much you can afford to spend and stay within that budget. Staying within budget will be much easier if you make a price list of all gifts and other holiday items you plan to purchase. It’s easy to overlook extra expenses for holiday foods, party clothes, holiday décor and postage.

Comparison Shop: You can easily save more than 10 percent on most items, sometimes considerably more, by comparing prices at different stores. The easiest way to do this is to identify sellers using the Yellow Pages, and then call several, or use the Internet and compare offers online. But when shopping online, shop wisely. Be sure you are purchasing from a secure site (look for the “https” in the website address and the locked padlock icon on the toolbar), and review emailed statements for accuracy as you receive them.

Pay Off Debts Quickly: You're less likely to overdo it if you pay in cash. If you must make holiday purchases using credit, use a lower-interest card (recent studies suggest you'll find lower rates on credit union cards) and pay off this debt as soon as possible early next year. Don't borrow more than you can repay in several months. Remember that credit card debt is relatively expensive. And if you only make the required minimum monthly payment, you may never pay off the debt.

Plan for Next Year by Opening a Christmas Club Account: While these accounts do not pay much if any interest, they provide a practical way to save small amounts over time. Ask your credit union or bank to automatically transfer funds from your checking to your Christmas Club account every month. The discipline of saving reinforces your good budget intentions.

Shop After Christmas for Next Year's Presents. You can find some great sales bargains right after the holidays. Then tuck those gifts away until next season.

Be Smart About Gift Cards: If you don't use a gift card promptly, it can lose value in one of several ways: It can expire and become worthless; monthly maintenance fees can erode its value to zero; the store that issued it can go bankrupt or stop honoring gift cards. If you give or receive a gift card, read the fine print.

Pay Attention to the Return Policy. Some stores are tightening their policies. Pay attention to the return policy when you make a purchase; keep receipts and note time limits, restocking fees, and other factors that may affect your recipient.

Find Low- or No-Cost Ways to Celebrate. Adding a few changes can ease the strain on your spending budget. For example, draw names to limit the number of people for whom you purchase gifts; give homemade items; make your own gift wrap; organize a potluck rather than trying to make, and pay for, the entire holiday meal.

CUNA is the primary national trade association for the country's 8,000 state and federally chartered credit unions, which are not-for-profit financial cooperatives serving more than 92 million Americans.

CFA is a non-profit association of 300 consumer groups that was founded in 1968 to advance the consumer's interest through research, education, and advocacy.