



Consumer Federation of America



Credit Union National Association

FOR IMMEDIATE RELEASE
November 24, 2008

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**FAR MORE CONSUMERS PLAN TO REDUCE HOLIDAY SPENDING
FROM LEVELS OF PREVIOUS YEARS, ACCORDING TO NINTH ANNUAL
CFA-CUNA SPENDING SURVEY**

Washington, DC -- Consumers have sharply weaker holiday spending plans this year compared to previous years, according to the ninth annual holiday spending survey conducted by the Consumer Federation of America (CFA) and the Credit Union National Association (CUNA).

Each year from 2003 to 2007, between 30 and 35 percent of consumers reported that they were planning to cut back their holiday spending. This year, 55 percent said they were planning to reduce this spending as least "somewhat", with 27 percent of all respondents indicating that they planned to spend "much less than last year."

"Consumers are expressing an unusually strong desire to tighten their belts this holiday spending season," said CUNA Chief Economist Bill Hampel. "More say they plan to cut back their spending this year than at any time in the nine years we have been doing this survey. As a result, we may see an actual decline in holiday spending for the first time in many years."

While record numbers of all age and income groups said they are planning to reduce holiday expenditures, women and families with children were much more likely than men and households without children, respectively, to indicate they were planning cutbacks. Sixty-two percent of women, but only 48 percent of men, surveyed said they are planning cutbacks. Sixty-one percent of households with children, but only 51 percent of households without them, indicated they were planning to reduce spending.

In response to an open-ended survey question asking those intending to spend less for the most important reason for this decision, the vast majority of respondents indicated either constrained finances or financial anxiety about the future. The most frequent responses were: the economy and related economic uncertainty (36%), less money (22%), a desire to save or reduce debt (12.5%), higher prices (10.5%), and less income (9%).

"The financial crisis and sustained economic downturn the nation has been experiencing are taking their toll on consumers," Hampel explained. "People are worried about their finances, job loss, and what the future will hold. Amid such uncertainty, they are reacting by reining in their spending plans."

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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.

Rise in Consumer and Mortgage Debt Fuels Concern

One important factor contributing to financial anxiety is concern about meeting monthly debt payments. In response to the question -- "In general, how concerned or unconcerned would you say you are about meeting your monthly payments on all types of debt?" -- a record 48 percent said they were "concerned," with 23 percent indicating that they were "very concerned." In 2007, only 40 percent said they were concerned.

Those most likely to express concern about meeting monthly debt payments are young adults aged 18-24 (66%), African-Americans (70%), and those with modest incomes of \$25,000-\$35,000 (64%).

"The explosive growth in consumer and mortgage debt has fueled financial anxiety," noted CFA Executive Director Stephen Brobeck. "That anxiety is most widespread among the young and those with modest incomes," he added.

Concern about meeting debt payments was also revealed by responses to the question asking what respondents would do if they received an unexpected windfall of \$5,000. Forty-five percent said they would use this windfall to "pay down some debt." The percentages of debt payers for those aged 25-34 (63%), African-Americans (61%), and those with incomes of \$25,000-\$35,000 (60%) were especially high.

Economic fault lines in society were also revealed by responses to a question about how respondents would pay for an unexpected emergency expense of \$5,000. Nearly two-thirds (65%) of those with incomes \$50,000 and over, but only 36 percent of those with incomes under \$35,000, said they would draw from savings. In contrast, 45 percent of those with incomes below \$25,000 said they would rely on "a gift or loan from a friend or family member." And, over one-quarter (26%) of this low-income group said they would "put it on [their] credit card" even though a significant percentage of this group has no credit card.

Ideas for Getting the Biggest Bang from Your Holiday Spending Buck

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

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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 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.

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. And remember, a gift card is handy and convenient, but like cash, if you lose it, it's gone.

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 8,300 state and federally chartered credit unions, which are not-for-profit financial cooperatives serving more than 90 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.