



Consumer Federation of America



Credit Union National Association

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HOLIDAY SPENDING LIKELY TO RISE MODERATELY IN 2006 But Consumers Concerned About High Energy Costs, Debt Concerns.

WASHINGTON – Consumers are slightly more inclined to reduce their holiday spending this season than in recent years, suggesting that this year’s increase in holiday spending will be weaker than in the past few years. Energy costs, though declining, remain a factor, and consumers are also expressing greater concern about paying off credit cards and other debt, according to the results of the seventh annual survey commissioned by the Consumer Federation of America (CFA) and the Credit Union National Association (CUNA).

More than twice as many consumers say they will spend less (32%) than more (15%) this holiday season, with about half (52%) saying they will spend about the same, the survey found. Compared to last year’s survey results, the percentage saying they would spend less edged up from 30% to 32%. However, the percentage saying they would spend much less than last year jumped from 13% to 18%.

“Our experience with this survey is consumers tend to say they will spend less than they actually do, and our overall survey findings are slightly weaker than last year. This suggests many households will feel financially ‘hung over’ in a couple of months unless they do something about it now,” said CUNA Chief Economist Bill Hampel.

The CFA/CUNA survey was conducted Nov. 9 – 12 among more than 1,000 representative adult Americans by Opinion Research International. The survey’s margin of error is plus or minus 3 percentage points.

Energy Costs Still an Important Factor

This year’s CFA/CUNA survey asked respondents about the influence of six factors on intended holiday spending. Energy costs remain the most important factor that consumers say is influencing their holiday spending, cited by 32% as the reason they would spend less. Other factors consumers said would influence them to spend less included general household expenses (28%), their family finances (27%) and the price of gifts (26%).

CUNA/CFA HOLIDAY SPENDING SURVEY
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While 32% of consumers said “the cost of gasoline and home heating” would cause them to spend less this holiday season, this figure is down from 41% last year. And in this year’s survey one in four consumers (26%) said energy costs would be a factor that would cause them to increase their spending.

“Consumers are still clearly concerned about energy costs, but they appear less troubled about them than last year,” said CFA Executive Director Stephen Brobeck.

Young and Less Affluent under Greater Stress

The CFA/CUNA survey also found some evidence that the least affluent Americans will be under even greater financial stress this holiday season than last year. Of those surveyed, 27% with incomes under \$25,000 said they intend to spend “much less” than last year, compared to only 18% of all consumers. And 41% of those with incomes \$25,000 to \$35,000, compared to only 32% of all consumers, said that energy costs are likely to decrease their holiday spending.

“Despite the let-up in gas prices, young and less affluent Americans appear to be under greater financial stress this year than last. In particular, they are much more concerned about paying off debt,” said Brobeck.

Concerns Grow About Paying Off Debt

In the survey, concern about paying credit card balances arising from holiday spending rose from 25% last year to 33% this year. The young (18-24 years) are especially concerned—with over half (52%) saying they are very or somewhat concerned, and well over half of these concerned (29% of the whole sample) saying they are very concerned. The fact that only 36% of consumers said they always pay their full balance may help account for this concern.

Concern about meeting monthly payments on all kinds of debt is even higher, at 43%. Lower-middle income households (\$25,000-\$50,000) are especially concerned about meeting these debt payments (54%), according to the survey.

Unlike last year, more Americans said, if they had an unexpected windfall of \$5,000, more would use it to pay off debt (44%) than put in savings (41%). Only 13% said they would spend this windfall. The only income group that was much more likely to save than pay down this windfall was the more affluent (\$75,000 or more in income)—35% would pay down debt vs. 46% put in savings.

The financial precariousness of less affluent Americans was also revealed by responses to a new question about how one would pay for an unexpected emergency expense of \$5,000. Only 44% of those with income under \$35,000 said they would pay for this expense out of their savings. A large majority would “beg or borrow” it, with a full 44% saying they would seek a gift or a loan from a friend or family member. Among young adults (18 – 24 years), 72% said they would seek a gift or loan from a family member.

CFA and CUNA Suggest Holiday Spending Tips

With “Black Friday” just days away, CFA and CUNA suggest the following tips to avoid getting deep in debt during the holidays:

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, then call several. Or use the Internet and compare offers online. But when shopping on line, 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 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 give or receive a gift card, read the fine print. There may be a fee for checking your balance as well as a monthly inactivity, maintenance, administrative, or service fee. For example, some store cards deduct \$1 per month after 24 months of nonuse. 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.

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 88 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.