



Consumer Federation of America



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RISING ENERGY COSTS DAMPEN HOLIDAY SPENDING PLANS **More Consumers Than in Previous Years Say They Will Cut Spending**

WASHINGTON – Rising costs of gasoline and home heating are putting pressure on consumers to cut back on their holiday spending plans, according to data from the eighth annual survey on holiday spending conducted by the Consumer Federation of America (CFA) and the Credit Union National Association (CUNA).

In citing influences over their holiday spending plans, 38 percent of those responding said the cost of gasoline and home heating would cause them to somewhat or greatly decrease their holiday spending. Last year, only 32 percent said energy costs would influence them to reduce their spending.

“Price of gifts” is also playing a role in consumer attitudes toward spending, with 32 percent saying they would somewhat or greatly decrease their spending as a result. That number was up from 26 percent last year.

“Your family’s current finances” and “your general household expenses” were cited less frequently, with fewer than 30 percent citing each of these factors.

“It is noteworthy how frequently consumers cited rising energy costs as a reason they plan to cut back their holiday spending, far more frequently than they cited general family finances,” said CUNA Chief Economist Bill Hampel. “They are clearly quite concerned about the escalating price of gasoline and home heating oil,” he added.

The CFA/CUNA survey was conducted November 8-11 among more than 1,000 representative adults Americans by Opinion Research Corporation. The survey’s margin of error is plus or minus 3 percentage points.

More Consumers Plan to Spend Less than in Previous Years

Thirty-five percent said that, in thinking about their holiday spending plans, they intended to spend less than last year. This percentage was the highest in the eight years CFA and CUNA have surveyed holiday spending. Moreover, the number was up from 32 percent last year.

CUNA/CFA HOLIDAY SPENDING SURVEY
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The group saying they are most likely to cut spending are from lower-middle income households with incomes between \$25,000 and \$50,000. Forty-two percent of this group said they are likely to reduce spending.

On the other hand, the percentage who said they planned to increase spending, 15 percent, did not change from 2005. What decreased was the percentage who said they would spend about the same as last year.

“While it’s true that consumers actually end up spending more than they think they will, consumers are feeling the bite of rising energy costs, and other factors, with the likely result that spending growth will be weak this year,” said Hampel.

Consumer Debt Repayment Not an Important Factor in Planned Holiday Spending Cuts

Despite rising attention paid to the mortgage meltdown and general credit crisis, fewer consumers than last year said they were concerned about making monthly payments on mortgage and consumer loans. This year, 40 percent said they were concerned about making these payments, down from 43 percent last year.

Also, fewer consumers than last year said they were concerned about paying off credit card balances from holiday-related spending. Only 24 percent indicated this concern this year compared to 33 percent last year.

Low and lower-middle income and minority Americans, however, were much more likely to voice concern about debt. Fifty-three percent of those with incomes under \$50,000 expressed concern about making monthly debt payments, and that concern was indicated by 55 percent of Hispanics and 49 percent of African-Americans.

Thirty-four percent of those with incomes between \$25,000 and \$50,000 said they were concerned about paying off holiday-spending related credit card balances. That compared to only 24 percent for the whole population.

“The good news is that a declining percentage of Americans express concern about paying off consumer and mortgage debt,” said CFA Executive Director Stephen Brobeck. “The bad news is that these percentages are relatively high, especially for moderate-income and minority Americans,” he added.

Debt-related concerns for these groups are also seen in their responses to the question about what they would do with an unexpected windfall of \$5,000. While 42 percent of all consumers said they would use this windfall to “pay down some debt,” 55 percent of those with incomes between \$35,000 and \$50,000, 53 percent of African-Americans, and 50 percent of Hispanics said they would favor debt repayment over adding to savings or spending.

CFA and CUNA Suggest Holiday Spending Tips

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

CUNA/CFA HOLIDAY SPENDING SURVEY

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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 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 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.