



# Consumer Federation of America

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## **CONSUMERS PLAN TO SPEND MORE THIS HOLIDAY SEASON, ACCORDING TO 13TH ANNUAL CFA-CUNA HOLIDAY SPENDING SURVEY**

*Spending Plans May Reflect Perceived Improvement in Financial Situation and Less Concern  
About Repaying Debt*

*Gap Between Affluent and Poor Widens*

Washington, D.C. -- More consumers plan to spend more than last year, and fewer consumers less than last year, according to the 13th annual holiday spending survey conducted by the Consumer Federation of America (CFA) and the Credit Union National Association (CUNA). In the past year, the percentage who said they would spend more than last year rose from 8 to 12, and the percentage who said they would spend less declined from 41 to 38. These differences are statistically significant.

In both years, the survey questions were developed by CFA and CUNA and were administered to a representative sample of adult Americans by ORC International in early November (9-13 this year). This year, 660 persons were interviewed by landline and 352 by cell phone.

“Our survey results suggest that holiday spending this year will likely rise by between 3% and 4% compared to last year,” said Bill Hampel, Chief Economist for the Credit Union National Association. “This represents the fourth year of gradual improvement in holiday spending plans since a sharp decline in such plans in 2008.”

The intention of consumers to increase holiday spending from last year is consistent with, and may well reflect, perceived improvement in their financial situation. From 2011 to 2012, the percentage who said their financial situation was better rose from 19 to 24, and the percentage who said it was worse fell from 37 to 33. Again, the change is statistically significant.

Despite the rise of student debt and continued concern about mortgage debt, the percentage of those who said they were concerned about meeting monthly debt payments fell from 45 to 43 percent. And those who said they were unconcerned rose marginally from 38 to 39 percent. One factor here might be the increasing percentage -- 19 to 24 percent in the past year -- who said they did not have any credit card payments.

Yet, things are still financially tight for many families. When asked if they had extra funds (not including lines of credit) available to pay for an unexpected expense of \$1,000, only 49 percent said that they did. This lack of emergency savings may help explain why an increasing percentage -- 38 to 43 over the past year -- said that, if they received an unexpected windfall of \$5,000, they would use most of it to add to savings or investments.

### **Gap Between Affluent and Poor Widens**

There have been many studies and press reports on huge income and wealth gaps between high- and low-income families. But there has been little focus on whether these gaps have increased over the past year. The 2011 and 2012 surveys suggest that they have.

Whether respondents reported they would increase or decrease holiday spending from last year was related to income. Among those with incomes under \$25,000, 11 percent said they would spend more while 44 percent said they would spend less. Among those with incomes over \$100,000, 18 percent said they would spend more while 31 percent would spend less.

These income-related differences in spending plans may well reflect perceptions about one's financial situation. Among the low-income group, only 21 percent said this situation was better than last year while 45 percent said it was worse. Among the upper-income group, 30 percent said their financial situation was better while only 23 percent said it was worse.

The linkage between holiday spending plans and perceived financial situation was made even clearer by correlating the two variables. Among those who said their situation had improved, 62 percent were planning to spend more than last year while only 11 percent were planning to spend less. But among those who said their situation had worsened, only 5 percent were planning to spend more than last year while 57 percent were planning to spend less.

"It is unfortunate that families with the lowest incomes are more likely than high-income families to think their financial situation has deteriorated over the past year, so are more likely to cut back holiday spending," said CFA Executive Director Stephen Brobeck.

Even though fewer lower-income than upper-income families carry consumer and mortgage debt, a far higher percentage of the former than the latter expressed concern about this debt -- 51 vs. 28 percent. In part, this may reflect the fact that only 19 percent of the lower-income, but 82 percent of the upper-income, respondents said they had extra funds to cover a \$1,000 unexpected expense.

One anomalous survey finding related to political party affiliation. Respondents calling themselves Democrats were more likely to spend more than those calling themselves Republicans -- 58 vs. 28 percent. This finding is counterintuitive since Republican households have higher incomes than Democratic ones. It is possible that the results of the 2012 elections buoyed the spirits of the Democrats and made them more likely to plan to increase their holiday spending.

## **CUNA/CFA Tips 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 debt load without sacrificing holiday quality,” Brobeck said.

**Make a 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. Even if it’s a more general rather than detailed list, it will still help you avoid overspending and impulse buys.

**Check It Twice:** Make sure your list includes not only gift or gift recipients, but also all the projects and activities that make up your holiday. It’s easy to overlook extra expenses for holiday foods, party clothes, holiday décor and postage. Examine each item and ask yourself, “Does it earn its place in our celebration?” You might discover how much you’re doing just out of habit or perceived expectation.

**Comparison Shop:** You can easily save more than 10 percent on most items, sometimes considerably more, by comparing prices at different stores. The Internet and smart phones have made comparison shopping that much easier. But when shopping online, shop wisely. Be sure you are purchasing from a secure site and review emailed statements for accuracy as you receive them.

**Make Time Your Ally.** The reason to start sooner rather than later is that when you delay, you pay. At last minute, you have to settle for something, and it might cost more than you wanted or planned to pay. After Christmas is a good time to shop for next year’s presents. You can find some great bargains right after the holidays. Then tuck those gifts away until next season (just don’t forget about them!). Another benefit to starting early: It gives you more time to find the “right” gift and avoid impulsive decisions, which too often leave you less happy with your purchase.

**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 (you’ll often 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. Find credit unions you’re eligible to join at [www.aSmarterChoice.org](http://www.aSmarterChoice.org)

**See what’s in your supply drawer:** You may have more wrapping paper, ribbons, unused cards and gift boxes stored away from last season than you realize. Use up those holiday supplies first to trim down the amount you’ll have to buy this season.

**Understand how layaway programs work.** An old holiday standby—store layaway programs—have re-emerged this holiday season, allowing consumers to put items on hold at the store and pay for them over time. Before deciding to use layaway, know the payment schedule and read the fine print. Be realistic about how these payments will fit into your spending plan and what you can really afford. Understand the layaway policy including time between payments and schedule of payments, service fees, late and cancellation fee policies, refund and exchange policies.

**Be Smart About Gift Cards:** The rules today significantly restricted gift card expiration dates and fees compared to several years ago. But those who give or receive a gift card should still read the fine print. And if you get a gift card, use it sooner rather than later to avoid forgetting about unused balances on the card, or forgetting about the card altogether. And if you still have gift cards you received from others last year, use them to shop this year. It's a smart way to reduce your out-of-pocket expenses.

**Pay Attention to the Return Policy.** Some stores have tighter 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 Some 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.

*Credit Union National Association (CUNA) is the primary national trade association for the country's 7,300 state and federally chartered credit unions, which are not-for-profit financial cooperatives serving more than 95 million Americans. More at [www.cuna.org](http://www.cuna.org). To learn more about or locate credit unions: [www.aSmarterChoice.org](http://www.aSmarterChoice.org)*

*The Consumer Federation of America is an association of nearly 300 nonprofit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education.*