



**Consumer Federation of America**



Credit Union National Association

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## **CONSUMERS SAY: LESS LIKELY TO SPEND MORE THIS HOLIDAY SEASON THAN LAST**

*Higher energy costs cited by many as an important influence*

WASHINGTON – Far more consumers say they will cut back holiday spending this year, rather than increase spending, and a key reason is the cost of gasoline and home heating, according to the results of the sixth annual holiday spending survey commissioned by the Consumer Federation of America (CFA) and the Credit Union National Association (CUNA).

Three in ten (30 percent) consumers responding to the survey said they would spend less on holiday spending this season than they did in 2004, while only 14 percent indicated they would spend more. About half (51 percent) said they would spend about the same.

The CFA/CUNA survey was conducted Nov. 10-13 among more than 1,000 representative adult Americans by Opinion Research Corp. International. The survey's margin of error is plus or minus 3 percentage points.)

### **Energy costs a key factor in intended spending**

The CFA-CUNA survey asked respondents about the influence of seven factors on intended holiday spending. Far and away the most important of these factors was the cost of gasoline and home heating, which more than four in ten (41 percent) said would somewhat or greatly decrease holiday spending. Next most influential in decreasing spending were "your general household expenses" at 31 percent, but this factor includes consumer energy costs.

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**CUNA/CFA HOLIDAY SPENDING SURVEY**  
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At the same time, the percentage of those who expressed concern about paying off credit card balances from holiday spending rose from 22 percent in 2004 to 25 percent in 2005, and those who are unconcerned dropped from 55 percent in 2004 to 45 percent this year. "Rising energy prices could well either curb consumer holiday spending or boost related credit card debt," said CFA Executive Director Stephen Brobeck.

Among the other factors influencing consumers' attitudes in increasing or decreasing holiday spending are:

- **Price of gifts:** 30 percent said this factor would influence them to somewhat or greatly decrease their spending; 19 percent said it would increase their spending.
- **Current economic situation:** 29 percent of the consumers said they would cut back on spending somewhat or greatly because of this influence; 18 percent said it would increase their spending.
- **Confidence in future economic prospects:** 21 percent cited this influence as causing them to increase spending somewhat or greatly; an equal number said it would cause them to decrease spending.

"These responses, when compared to answers to previous versions of the survey, suggest to us that consumers will increase spending almost as much this holiday season as they did last year," said CUNA Chief Economist Bill Hampel. "However, gasoline and home heating costs are clearly weighing heavily on the minds of a significant number of consumers as they enter the holiday shopping season."

**Concern about paying off credit cards on the upswing**

A quarter of consumers in this year's survey said they were somewhat or very concerned about paying off their credit card balances from this year's holiday spending – up slightly from last year's 22 percent who said the same. Conversely, those saying they were somewhat or very unconcerned about paying off their credit cards from this holiday season were 45 percent – down considerably from last year's 55 percent saying the same thing. Those saying they were "very unconcerned" showed the biggest change, dropping to 33 percent in 2005 from 41 percent in last year's assessment.

Further, in the six years that CUNA and CFA have conducted the survey, this year's total of those "unconcerned" about paying off their credit card holiday bills is the lowest aggregated total. The highest was in 2002, when 66 percent said they had little concern about their credit card bills piling up.

On the other hand, consumers seem to be less concerned about meeting their monthly debt overall. In fact, the number of those calling themselves somewhat or very concerned about making their monthly payments was down slightly, at 35 percent, from last year (38 percent).

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**CUNA/CFA HOLIDAY SPENDING SURVEY**  
**3-3-3-3-3**

However, nearly half (49 percent) of those in the “middle-middle” income bracket of \$35,000 to \$50,000 said they were very or somewhat concerned about meeting their monthly debits.

Those on the fence about their monthly payments (neither concerned or unconcerned) was up to 14 percent from last year’s 8 percent. Those this year somewhat or very unconcerned, however, fell slightly to 45 percent from 49 percent in 2004.

The declining concern about debt overall may be a clue as to what consumers would do with a windfall of \$5,000. Those saying they would “pay down some debt” declined to 39 percent this year, from 43 percent in 2004. However, more than two out every five consumers (about 40 percent) in each of the income brackets below \$75,000 said they would pay down debt with the windfall.

But consumers are not necessarily eager to spend most of that windfall either—42 percent, according to the survey results, said they would add to their savings most of a \$5,000 windfall. In the six years of the survey, that matches the highest number of consumers saying they would add the extra dollars to their savings. About 51 percent of those with incomes of \$75,000 or more said they would save the money.

Only 14 percent said they would spend the windfall (up from 11 percent last year).

“While the economy is showing strength, it is also apparent from these numbers that those in the very middle of the economic spectrum are feeling something of a squeeze, which bears watching over the holiday period and into the new year,” said CUNA’s Hampel.

### **CFA and CUNA Suggest Holiday Spending Tips**

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

**Budget Holiday Spending:** Right now, decide how much you can afford to spend and stay within that budget.

**Make a List:** Staying within this 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.

**Pay Off Debts Quickly:** If you must make holiday purchases using credit, early next year pay off this debt as soon as possible. Remember that credit card debt is relatively expensive.

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**CUNA/CFA HOLIDAY SPENDING SURVEY**  
**4-4-4-4-4**

You may not realize your card's grace period—the time between your purchase and when interest is charged—doesn't apply if you're carrying over a balance. And if you only make the 2% required 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 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.

“If you must finance your purchases with a credit card, don't borrow more than you can repay in several months,” said CFA's Brobeck.

CFA and CUNA also offer these tips about using gift cards and the Internet this holiday season:

**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.

**Protect Yourself From ID Theft:** Don't be "phish" food while holiday shopping online. If you get a pop-up or e-mail message requesting personal or financial information – it may be bogus. Don't reply or click on the link in the message. Initiate all contacts with companies to make certain you are accessing their websites, not phony ones. Also, review statements for accuracy as you receive them. If they're late, call the company to confirm billing address and balance. Use antivirus software and keep it up-to-date. Run a firewall, particularly if you have a broadband connection. Take advantage of free software “patches.”

**Shop wisely on-line:** Be sure when you are purchasing to be doing so from a secure site – look for “https” in the website address, and the locked padlock icon on the toolbar. Also, whether shopping on-line or at the “brick and mortar” location, make sure you understand a store's return policy; for electronic items, this can often be especially important.

*CUNA is the primary national trade association for the country's 9,000 state and federally chartered credit unions, which are not-for-profit financial cooperatives serving more than 87 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.*