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DESPITE SIGNS OF ECONOMIC IMPROVEMENT, MORE CONSUMERS LIKELY TO REIN-IN HOLIDAY SPENDING, ACCORDING TO 15TH ANNUAL CFA-CUNA HOLIDAY SPENDING SURVEY

Gap Between Affluent and Poor Continues to Widen

Washington, D.C. (November 24, 2014) – More consumers report lower intended holiday spending in 2014 compared to 2013, according to the 15th annual holiday spending survey conducted by the Consumer Federation of America (CFA) and the Credit Union National Association (CUNA).

This year, 10 percent said they would spend more while 33 percent said they would spend less. In 2013, 13 percent said they would spend more while 32 percent said they would spend less. The proportion who said they would spend less declined steadily from 55 percent in 2008 to 32 percent last year before rising slightly this year. (Consumers almost always spend more than they plan to spend, so year-to-year comparisons are most meaningful.)

Despite this expression of consumer spending restraint, signs ranging from a lower unemployment rate to higher stock prices indicate that the U.S. economy is stronger this year than last. Data from the CFA-CUNA survey reveal this economic improvement. When asked to compare their current income with their income a year ago, 27 percent said it was higher while only 21 percent said it was lower. When asked to compare their financial situation with that of a year ago, 28 percent said it was better while only 24 percent said it was worse.

When asked about their concern meeting monthly payments on all types of debt, the proportion declined from 49 percent in 2013 to 43 percent in 2014. When asked whether they have extra funds available to pay an unexpected expense of $1,000, the proportion who said no fell from 49 percent in 2013 to 47 percent this year.

"Top-line results from an economic perspective are encouraging and holiday spending almost certainly will increase this year," said Mike Schenk, CUNA senior economist. "However, elements of our survey underscore the fact many consumers continue to reflect significant concerns about their personal finances- most especially in the realm of weak income gains. Because of this we expect the increase in holiday spending this season to be modest."

The annual survey has always been developed by CFA and CUNA and administered to a representative sample of adult Americans by ORC International. This year, 1009 persons were interviewed by landline or cell phone from October 30 to November 2. The margin of error is plus or minus three percentage points.

Gap Between Affluent and Poor Continues to Widen

The survey found continuing evidence of the widening gap between high and low income groups. Over one-third (34%) of those with household incomes under $25,000, compared to only 13 percent of those with incomes over $100,000, said their financial condition was worse now than a year ago. (Also, one third of the low income group (33%), but only 13 percent of the high income group, said their income was lower than a year ago.)

"The rising economic tide has not raised all boats equally," noted Stephen Brobeck, CFA's Executive Director. "Far fewer households with incomes above $100,000, than those with incomes below $25,000, have fared worse over the past year," he added.

Factors that may help explain this difference in perceived financial condition are concern about making monthly debt payments, including mortgages, and also a low level of funds available for emergency expenditures. Over three-fifths (63%) of the low income group, but only about one-fifth (21%) of the high income group, said they were concerned about meeting these debt payments. In contrast, over four-fifths (83%) of the low income group, but only 13 percent of the high income group, said they did not have extra funds available to pay for an unexpected expense of $1,000.

These responses about debt and savings help explain income differences related to how one would use an unexpected windfall of $5,000. Over half (51%) of the low income group, but little more than one-quarter (27%) of the high income group, said they would use most of these funds to pay down debt. In contrast, only about one-third (32%) of the low income group, but over half (56%) of the high income group said they would use most of the funds to add to savings or investments.

These responses also help explain differences in intended holiday spending. Nearly twice as many of those with low incomes (37%), than of those with high incomes (19%), said they would spend less money this year than last.

CUNA/CFA Tips for Spending Prudently During the Holiday Season

CUNA and CFA suggest the following tips for spending prudently and not taking on too much debt.

- **Plan**:
    - 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 and use Time Wisely:**
    - Compare Prices: 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**:
    - Use a lower-interest credit 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.

- **Start Saving for Next Year**:
    - Ask your credit union or bank to automatically transfer funds into a savings of Christmas or Holiday Club account each month. They provide a practical way to save small amounts over time and the discipline of saving reinforces your good budget intentions. Find credit unions you're eligible to join at www.aSmarterChoice.org

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With its network of affiliated state credit union leagues, Credit Union National Association (CUNA) serves America's credit unions, which are owned by 100 million consumer members. Credit unions are not-for-profit cooperatives providing affordable financial services to people from all walks of life.

The Consumer Federation of America is an association of more than 250 nonprofit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education.