

THE VOICE OF THE WISCONSIN HOMEOWNERS ALLIANCE

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Homeowner Insights for Wisconsin Decision Makers

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The Wisconsin Homeowners Alliance (WHA) is a 501(c)(4) organization dedicated to representing the interests of Wisconsin homeowners and protecting Wisconsin's quality of life one home at a time. As part of this effort, the WHA conducts a series of statewide public opinion surveys designed to help us understand what homeowners are thinking and talking about. This monthly publication is intended to share issues of importance and concern to homeowners with decision makers around the state.

It's My Money and I'll Cry If I Want To

Higher prices hit homeowners, change spending patterns and affect Wisconsin businesses

As the cost of basic goods and services rise, discretionary income shrinks

Wisconsin homeowners are feeling squeezed financially and the pressure is affecting how they spend their money.

In a statewide Wisconsin Homeowners Alliance study conducted by Wood Communications Group in mid-November 2006, more than 80 percent of Wisconsin homeowners say that prices for gasoline, health insurance, college education, groceries, utilities and the cost of maintaining a home are either a lot more or somewhat more expensive than they were a year ago. More than two-thirds say they've seen similar increases in the prices of prescription drugs, the cost of buying a home, state and local taxes and K-12 education.

Are the increased costs, or at least the perception of higher prices, affecting homeowners? You bet. In 2003, when asked in a Wisconsin REALTORS® Quality of Life survey whether they have more or less money at the end of each month than they did a year ago, just over half of all respondents (52%) say they have less. Today, almost three-fourths (73%) say they have less and one in five says he or she has a lot less.

Tighter home budgets force millions of consumers to cut back on or postpone spending

There are just over four million adults in Wisconsin, which means that nearly three million adult consumers are telling us that they have less money at the end of the month than they used to. Based on these numbers, three conclusions seem reasonable. First, large numbers of Wisconsin consumers have less money at the end of each month because they are, in fact, spending more on gas, health insurance, utilities, groceries and taxes. Second, if they're spending more on these items, they are probably spending less money on other things. And, third, if we don't work for a business that nearly three million Wisconsin consumers tells us they are spending more money on, the odds are we're probably working for a business that makes and/or sells something Wisconsin consumers may be cutting back on.

As homeowners grapple with their individual financial pressures, the most immediate reaction appears to be an effort to "cut back" on normal spending. Over half of Wisconsin adult consumers—think two million buyers—tell us that they are visiting the stores they normally shop at less frequently. Seventy-two percent of those who are going less frequently and twenty-six percent of those who did not report a drop in frequency tell us they are buying less when they visit these stores, which means that nearly two and a half million consumers report that they are spending less when they go shopping than they used to.

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Tourism and leisure activities also are likely to be affected more immediately. Nearly two-thirds (62%) of all respondents say that they are spending less money on leisure activities like eating out and going to the movies. At \$10 for a ticket and a box of popcorn and \$10 a piece for an inexpensive dinner, it's a \$99 million hit for the leisure industry every time those 2,400,000 consumers skip that "dinner and a movie." In addition, almost half (46%) say they are driving their cars less and more than a third (38%) report that they have postponed a family vacation.

For some, however, cutting back appears to have more serious ramifications. One in five, for example, report that they postponed spending money on something they thought their family really needed and the data indicates that spending on health care is on many families' list of cuts. Almost one in four (24%) say they have visited their doctor less frequently for the sorts of illnesses and medical emergencies they would have a year ago, and nearly half of those making less than \$40,000 annually report fewer visits to their doctors. One in five women between the ages of 18 and 34 say they have postponed a physician recommended treatment or surgery.

The financial squeeze is affecting some types of home related expenditures as well. More than one-third (36%) of Wisconsin homeowners say they have postponed remodeling to improve the value of their home—for those of you still counting consumers, that's more than 800,000 people who claim to have postponed a remodeling expenditure. Thirty-two percent say they have postponed buying new furniture. Thirty percent say they decided not to buy carpeting or tile and twenty-nine percent report that they put off spending money on landscaping. One in five say they have postponed buying a major appliance—think a half a million stoves, refrigerators or air conditioners—while 35 percent say they have put off some other home related investment. Perhaps most troubling, nearly one in four (24%) of those between the ages of 18 and 34 say they postponed buying a home.

Despite their pessimism about the economy in general and the rising cost of necessities, most consumers say they're doing alright and believe that things will either stay the same for them or get better

Interestingly, despite the current financial pressures and a strong feeling that they are likely to continue, most homeowner-consumers tell us they're feeling

good about their own situation. On the downside, 40 percent think the state's economy is going to get worse, 60 percent say the price of basic goods and services will get worse and 79 percent believe the cost of health care will get worse. In the face of all of that, nearly two-thirds (62%) of all respondents say they think things are going either excellently or good for them at the moment. Forty-one percent say they are optimistic things are going to get better for them, while 42 percent think things will stay the same and only 14 percent think things will get worse. One explanation for these responses may be that more than 72 percent of those respondents with jobs say they are optimistic that their job security will either remain the same or get better.

That's good news for Wisconsin businesses because it suggests that consumers are unlikely to reduce their total spending and that any dollar savings Wisconsin can generate by reducing the cost of basic goods and services like gasoline, health care, utilities, groceries and taxes are likely to resurface as dollars spent on other goods and services.

Editor's Note: This visit to Wisconsin's kitchen tables revealed families and individuals responsibly addressing the financial challenges higher gas, utility, grocery and health care prices have imposed on their pocketbooks. Some have cut back on regular expenditures. Others have postponed prescribed medical care or put off their educational advancement. All appear to be doing what they must to make ends meet and despite having to do without, most of our citizens feel good about their current situation and are upbeat about the future.