

Smart Holiday Spending Strategies

Give Your Credit Card a Break

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The countdown to the holidays is on which also means the pressure is on to get your holiday shopping done. We all know shopping means spending money and most people go into the holidays without a spending plan. Frequently, what ends up happening is they think they're being smart by looking for sales and bargains, but they can end up buying far more than they thought was possible and spending far more than they can afford. People have a tendency to over consume because of a sale. Sound familiar? The holidays derail many people financially but that doesn't have to be the case for you.

When should I start?

The holiday planning process should really start in January. That way you can set money aside on a monthly basis and stick to that budget. Now you're thinking – *it's November; what am I going to do?!* It's not too late to start a savings plan. The same principles apply no matter when you decide to start.

How much do I spend?

The first thing you want to do is sit back and ask yourself *how much do I spend during the holidays?* Most people won't know; they have no idea. But budgeting for gifts, parties and other expenses is critical. It takes planning and foresight so that you don't go into Black Friday and spend a ton of money because you think *oh, at least I'm getting discounts.* Again, that isn't necessarily helpful.

How much do I make and how much can I save?

Once you've got an idea of how much you spend, you want to take a look at how much you make and how much you can save. There are free websites and excel spreadsheets where you can enter that data to get a better idea of what you have to work with. If you figure that you spend around \$2,500, then you know that starting in January you need to be able to set aside about \$208 a month. If you're not looking at these figures until November, you may find that you can afford it or you may realize *oh man, this is going to crush me for the rest of the year.*

Can I afford it?

If you find that you *can't* afford it, don't buy it. Buy something smaller or more reasonable or make a gift. No matter how tempting or easy it seems, don't finance Christmas presents. Live within your budget; nothing will destroy it worse than having a huge credit card balance. As a philosophy, we hate debt. We recommend our clients pay off most debts as soon as possible.

Start planning for next year

Now that you've looked at your list and checked it twice to make sure your holiday saving and spending is on track for the next few weeks – because we've only got a few weeks left to shop – you can start thinking about saving for next year.

After you set up your plan in January, the next step is to check in at the quarter, half way through the year and in the last quarter so you know how you're looking going in to the holidays. It only takes about an hour to set up your budget, and then you can factor in about 30 minutes every quarter for your review. That's only two and a half hours – the same amount of time it would take to watch a couple of episodes of your favorite TV show or take a nap.

Plan for success

Why is it important to start thinking about this now and planning for next year even though it's not even Christmas yet? If you plan, then you can plan for success – no matter what you're saving for. If you stick to your budget, you really can be financially successful. It's a lost art for our generation. The generations before us who grew up in and around the Depression learned the value of saving in little increments to end up with a large sum in retirement or whatever it was they were working toward. It's about consistency and patience. Most people think they need to earn big to save big and that's simply not true.

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