

## Five Ways To Avoid Holiday Overspending

To you, it may be the holiday season. To me, it's the danger season.

I'm talking about the five weeks between Thanksgiving and Christmas, when 20 percent of our country's annual retail spending occurs. Jamming one-fifth of our spending into a frenzied window of shopping time can lead to some ugly financial results: A whole lot of bills we have no way of paying off come January.

If you really want to put the joy back into your holiday season, focus on how you can avoid ripping yourself off. Spending money you don't have is one self-inflicted scam you can -- and should -- protect yourself from.

Here are five ways to avoid holiday overspending:

### **1. Double the cost of anything you buy with a credit card and don't intend to pay off when the bill comes next month.**

The absolute worst move you can make is to charge gifts on a credit card you can't afford to pay off. If you run up a \$1,000 balance this holiday season -- and that's close to the forecast of average individual spending -- and you intend to pay it off slowly each month by making minimum payments, your interest charges will total around \$1,000 if your card has an 18 percent rate.

In other words, your total gift spending will double. That's just financially irresponsible.

### **2. Disorganization will cost you big-time.**

I'm typically not a huge fan of budgets, but come holiday season I think giving yourself a written-in-stone budget is a must. Before you spend one penny on gifts, create a master list of every person you intend to give a gift to this year. Then figure out a reasonable total dollar amount you can afford to spend on gifts this year.

Every time you make a gift purchase, record it in your budget list: how much you spend, who the gift is for, and how much money is left in the budget. Don't skip the "who" part; we've all been stuck with more presents for someone than we anticipated simply because we forgot about the one we bought last week or last month. Keep track.

Keep that list nearby at all times -- at the mall, or next to your computer when you're shopping online. And wherever and whenever you're gift shopping, make sure it's for a specific person on your list; stay focused so you can stay under budget.

Let's be clear: if you have an unpaid balance on a credit card with a high interest rate right now, your gift-giving budget is zero. I don't care how Grinch-like that seems. What right do you have to spend money on gifts when the fact is that you're walking around with expensive debt?

That doesn't mean you can't give gifts -- you just shouldn't spend money on them. Get creative. Offer to look after your friends' kids for two Saturday nights so that they can enjoy time together on a date while you baby-sit for free. Or invite friends over for a lovely holiday dinner. Or, if you have friends who are big on house projects, tell them you would love to lend a hand and a hammer to their renovation projects.

### **3. Decline store card offers.**

When you're standing at a checkout counter and the clerk offers you a 10 percent discount if you agree to open a store credit card account, say no. It's a multifaceted trap.

First, it seems to be human nature that you'll use that 10 percent discount as an excuse to buy more. You figure you're saving 10 percent, so why not pick up a few more things? Here's why: Because you'll end up spending more than you intended when you first stepped up to the cash register.

Next, the more cards you put your spending on, the harder it is to keep track of your spending. It isn't until January that you remember the \$80 you spent on the new department store card. And if you can't pay the off bill pronto, you're really in bad shape: Retail credit cards typically charge 20 percent or more in interest.

It doesn't matter if you have an incredibly great FICO credit score, you'll still get hit with that ridiculous interest rate. And by the way, if you open up a bunch of retail cards for the supposed 10 percent discount "deal," you can end up hurting your FICO score; remember, part of your score is dependent on whether you've obtained new credit over the past 12 months.

### **4. Handle your gift card with care.**

Gift cards are increasingly popular -- they remove the guesswork for givers and allow receivers to choose what they really want. That can indeed be a win-win situation, but be careful if you're on the receiving end.

An all-too-common pattern is to spend more than the amount of a gift card. A lot of folks plan to add their own cash to money they receive on a gift card to purchase items they want. So, instead of spending the \$100 gift card at the electronics store, you end up spending \$400 for the game console of your dreams, and are content that you only had to spend \$300 of your own money to buy it.

That's some screwy math, my friends: Just because you had the \$100 gift card to make the purchase less painful doesn't mean you saved any money. You spent \$300 and didn't save a penny.

Here's a quick list of signs that you can't afford to play the gift card game: You don't contribute enough to your 401(k) to get the maximum company match; you don't fully fund a Roth IRA (\$4,000 a year if you're under 50, \$5,000 if you're older) if you're eligible; you have credit card debt; or you don't have an emergency savings fund that you could live off of for at least six months.

Those are all far more important financial priorities than that game console, or whatever else you've set your sights on. I know it's hard to see it that way, but if you keep spending rather than saving, you're going to be very sorry later on.

### **5. You can't buy friends or love.**

An important relationship is not defined by what you spend on a holiday gift. So often, people tell me they feel pressure to shower their friends and family with holiday gifts even though they can't really afford it.

Slow down and really think through where the pressure is coming from. It's often self-inflicted, so keep in mind that the best gift you can ever give to yourself is one of financial honesty. If you want to make a dent in your debt load this year rather than add to it, just be honest about your situation. No one is going to love you less or devalue a treasured friendship just because you're not exchanging expensive gifts this year.

Credit – Suze Orman