



# Budgeting for the Holidays

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If you're starting to worry about what the holiday season is going to do to your credit card debt levels and bank balances, it might be time to think about a plan for your holiday spending that won't cause holiday stress. Here are some tips on how to make this season a little less stressful and a little easier on your debt limit.



*-Renee McElroy, MS*





## How Much Can I Spend?

Most people go about it all wrong. They usually make a list of people they want to buy for, instead of of setting a budget of how much they have to spend first.

It is important to create a budget based on everything you think you will need for the holidays, including postage for cards, food, decorations, gifts, travel expenses, etc. so you do not get any unexpected expenses.



# Budget Based on Your Own Finances

Your relatives have paid off their student loans five years ago, and they always get you the fanciest presents. However, if you are in a different place in your financial life, you shouldn't follow suit.

If you have any doubts as to whether those on your list will appreciate the less expensive presents you buy them, think back to what your friends and family gave to you when their budgets were tighter.

There's no doubt that you'll both be better friends in the New Year, if you're not creating debt loads for each other this year. Santa may have to buy presents for the whole world, but you do not.

If your shopping list includes more than five people outside your immediate family, cut down on the number of people on your present list. Then, bake some cookies or make homemade candy pretzels to give to all the people you snipped from the original gift list. This will ensure you spread the holiday cheer without looking like a Scrooge.

**HOLIDAYS**



**GIFTS**



## Make a List

Armed with your budget, make a list of all the people you want to buy for and then go over the list and decide how much you can spend on each.

If you don't have enough money to cover your holiday budget, go through the list again and cut names or amounts.

Once you have settled on a dollar amount for each person, you can begin to save for your shopping.

If you have a big family, consider "Secret Santa" to eliminate having to buy something for everyone.



# Save Early.

It is important to start saving for the holidays early.

Check with your Credit Union or bank to open a holiday account and start saving as early as January. Even \$100 (\$50 per paycheck) a month can bring a hefty \$1,100 by black Friday.

If you cannot start that early, April is also a good time to start saving, especially for those who are getting tax refunds.

You can put some of that refund away in an interest-bearing account (such as a 6-month CD) to mature just in time for holiday spending.



## Set Limits for Total Holiday Spending

Give your credit card and your mind a holiday by limiting what you buy to what can safely come out of your bank account. Use this opportunity to get your budget into fighting shape, and decide how much money you can afford to spend.

The money you can reasonably spend on gifts is money that isn't going to bills. If you want to have a little more to spend, this doesn't have to be just the money left over at the end of the month, you can also use the money that you would normally spend elsewhere, such as on your morning coffee or that extra piece of pie at dinner.

If you are using cash and not "cash advances" from credit cards, without spending your rent money or putting off paying the electric bill, you are doing great.

Just remember to be realistic about what you are willing to sacrifice. You may spend your monthly clothing budget on holiday gifts and then crave a new pair of boots to go to a holiday party. You need to set a budget and limits that you will stick to without caving in and racking up the credit.



## Skip the Credit Card

When budgeting for the holiday, you will want to skip the credit card when shopping. However, many shoppers won't have that much cash in savings to cover holiday costs, or they can't find extra money in their budgets to cover gift purchases for the last two months of the year.

Ultimately, these shoppers will probably have to go into debt for the holidays and many will automatically turn to credit cards to cover the costs. What's more interesting, is that credit card companies know this is a prime time to get more customers and new revenue so they bombard consumers with credit card offers from banks and department stores during the holiday season. However, credit cards are a costly way to fund holiday expenses with interest rates from 15% and as high as 20%.

Again, in order to avoid this, you must start saving before the holiday crunch. Credit unions and banks may offer a holiday savings account to help with this. Typically, consumers start their holiday savings a year in advance with as little as \$25 a paycheck going into their holiday account. This can provide a total of \$600 towards holiday shopping and if you put \$50 a paycheck away you could have \$1200 for your holiday shopping without incurring any debt.



# Don't Overlook the Value of Intangibles

- Send e-cards. They're free or only cost a couple of dollars and don't require postage. Some even play music, making them can be fun and is a free way to catch up with far-flung family and friends.
- If your kids still believe in Santa, help them draft real-world wish lists. In the post-Santa years, set some financial boundaries and give them some choices. Your child still gets a chance to choose, but you help them remember there are still limits.
- Look for meaning over glitz. A thoughtful gift can be anything as simple as a set of dice to a few beautiful bottles collected for minimum costs at various flea markets or antique marts (look for the meaning to the person you are giving).
- Finally, remember the reason for the season. Whether you celebrate Christmas, Hanukkah or Kwanza, keeping the holiday's spiritual message front and center is a good antidote to the holiday gimmies. Instead of spending weekends leading up to Christmas in the mall, it would be a much better gift to spend your time with your family in an old fashion sing along, or game night and that doesn't cost a thing.



# Making SMART Decisions

If you are like most people, thinking about saving means thinking about the money you need to achieve this goal. Current, you may have a goal to have enough money to pay all your bills each month. Your goals could also include saving money to set up an emergency fund, purchasing a car, sending your child off to college, or paying off a large debt. Depending on the goal, it could take a week, a month, or a few months. These are called short-term goals. It may also take many months or years, this a long-term goal.

Setting goals helps you turn your needs, wants, hopes, and dreams for the future into something concrete that you can take steps to achieve. When you set goals, you can:

- Work toward making your future better
- Prioritize how you spend your money so that it goes toward things that really matter to you
- Measure and track your progress toward getting the things you want out of life
- Take pride in bettering your life and the life of your family.



SMART goals have five important characteristics. They are Specific, Measurable, Able to be reached, Relevant, and Time Bound. When setting a new goal, think about the following:

**Specific:** Is the goal related a specific achievement, benefit, accomplishment, expense or expected life event. A specific goal has a greater chance of being met than a general one because it provides something defined to reach for.

**Measurable:** You should be able to state how much, how many and know when your goal will be done. In order to do this, you should be able to track your progress toward meeting your goal.

**Able to be Reached:** Is this goal something that you will be able to reach? You want your goal to be something that you will be able to succeed at. That does not mean that your goal should be easy, but it should not be extreme or impossible.

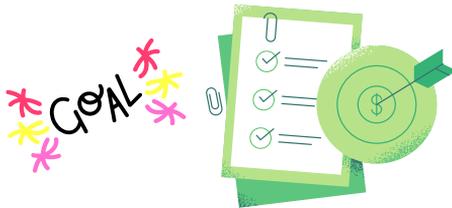
**Relevant:** Your goal should be something that “you” really want. You should also ask yourself is this the right time to do this? Set goals that matter to you and are a priority in your life.

**Time Bound:** Goals should have a clear and define time frame, including a target or deadline date. This helps ensure that they are measurable and that actions are planned to reach the goal by the target date.



# Financial Tools

**Goal-setting Tools:** This tool can help you with the process of setting goals. Identifying goals is important because it helps you plan for and reach what matters most to you. All goals take time and commitment to reach. Many goals also require information, action plans, and money. If you decide to complete a budget, be sure to include money you need to set aside for your goals.



**Savings Tools:** There are two steps to making a savings plan. First, complete the savings rule worksheet enclosed in packet. Set a savings goal. Secondly, set a savings rule to help you achieve you savings goal. You will then track your savings over the next six (6) to eight months. Once you have your savings plan, be sure to add it into your budget or cash flow plan.





Touch Stones Financial Wellness Services

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