

## Ho ho ho... my wallet's empty

How to get your finances in shape for the holiday spend-a-thon.

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**NEW YORK (CNNMoney.com) - The best way to prepare for the holiday shopping onslaught: don't get swept up in the hype, despite the seasonal pressure to overspend.**

"Think, what am I trying to accomplish by spending this money?" said James Kibler, certified financial planner at Eldridge Financial Planning, adding that your loved ones would rather get fewer gifts than see you in bankruptcy court.

And after the presents are unwrapped, the only person who will really know how much you spent is you.

### **In a perfect world...**

The best case scenario: last year you sat down in the sea of torn wrapping paper and made a list of the people you'd buy presents for in 2005 and how much you'd spend on each.

Then you spent the next 10 months saving according to your needs.

Yeah right. In the real world, most people have minimal savings, credit card debt, maybe a car payment and higher heating costs to worry about. But because of our deep-seated need to please our loved ones, we'll want to be generous.

"Not surprisingly, this is when people get into real credit card issues," said Kibler.

"And this is where you need a budget."

"Making the decision to be in debt is okay, but you have to keep it within reason," said Richard Atkison, a CFP with Hamowy, Conigliaro & Associates.

If you're going to go into debt, you need to be able to pay off those holiday bills in two months starting in January, according to Scott Kahan at Financial Asset Management Corp.

Figure out how much you can pay off in a month, double that number, and you have your spending limit.

In layman's terms that means if you can realistically afford to pay \$300 a month on your credit card, your budget for holiday spending is \$600.

Why is it so important to pay off the bills as soon as possible? The ravages of interest. For example, say you use a card with 15 percent interest to buy \$500 in gifts. If you only pay \$20 a month, a typical minimum payment, the real cost amounts to nearly \$600. And that debt will be a monkey on your back for more than two years.

#### **Pitfalls and missteps**

Experts agree that credit cards are enemy No. 1 and the place where people get into the most trouble. If you know that you will have a hard time controlling your inner Santa Claus, here are some key tricks to help reign in your spending:

- Don't bring your credit cards. If you have the money, spend on debit or on a card that forces you to pay off the balance.
- Never sign up for a store card to get a discount, which charges the highest interest around and artificially inflates your budget. More often than not, you end up with a large, hard-to-pay-off bill.
- Don't base your budget on hypothetical funds, i.e. the tax return you think you'll get. Now that many Americans run the risk of paying the Alternative Minimum tax, the refund you think you'll get could actually be an additional charge.
- Don't shop for yourself. Fight temptation knowing that you're going to get lots of stuff that you don't want or that doesn't fit. Make lists of what you want and buy it during the post holiday return rush as a reward for making it through the holidays. An added bonus: it will probably be on sale.

#### **Savings tips**

Some personal finance gurus recommend that re-thinking the whole gift giving structure might be a more sane financial solution, and might even reduce some of the stress associated with the holidays.

Here are a few tips to consider to make your upcoming family time a lot more fun, as well as relieving some of the anxiety of increased debt.

- Try using a family grab bag or secret Santa system. It's easier on everyone's budget to buy a single, and everyone appreciates getting one thing they really want rather than more stuff to sit in the closet.
- Bring your shopping list with you. It should include a name, dollar amount for each person and ideally the gift. When you have what you came for, leave.
- Buy on sale. There's no reason to pay full price. If one retailer doesn't have it marked down, someone else will.
- Shop online. It limits impulse buying, comparison shopping is easy and you don't get swept up in the shopping frenzy that encourages reckless spending. Look for shipping, sales and discounts. A caveat, buy now or the gifts could arrive after the holiday is over.
- If you have to spend on credit, choose your lowest interest card.
- Get your budget ready for next year as part of your post-holiday wind down.