

FINANCIAL INSIGHTS BLOG

BUDGETING | SAVING & INVESTING | THE ECONOMY

The Do's and Don'ts of Holiday Spending

Christmas is an exciting time of the year for many. It is the time of year when we celebrate the birth of Jesus Christ and cherish this special time of year with our families. Christmas celebrations can include holiday parties, dinners, and gift-giving. Gift-giving and celebrations can lead to a lot of money being spent. It is important to control this spending to ensure that you enter the new year in a good financial position. Here are some of the key do's and don'ts of holiday spending.

1. DO: Set a Holiday Spending Budget.

Decide how much money you want to spend this holiday season. Look at your existing monthly budget and determine how much money you can spare for food, gifts, decorations, travel, and entertainment. If necessary, reallocate your discretionary spending leading up to or during the holiday season.

Your budget should also include a list of gift recipients and the amount you wish to spend on each person. Making a list gives you a plan for your purchases. Ensure that your total purchases are within your budget. If you are ordering gifts online, remember to account for shipping, duty and taxes when creating your holiday budget.

Everyone's holiday budget is not the same. If you are working with a small budget, you may only be able to buy modest gifts for a few persons, and that is okay. You should not feel pressured to buy expensive gifts or have fancy decorations for your home or go to all of the holiday parties. Remember, it's not the price of the gifts, but the thought that counts. Sometimes handmade or personalized gifts are the most thoughtful. Another option is to give the gift of quality time rather than a physical gift. Work within your personal budget.

2. DON'T: Wait until the last minute to do your Christmas shopping.

When you wait until the last minute you tend to get desperate and rush your purchases. At this point, your budget will likely go out of the door. Also, stores



typically do not have sales the closer you get to Christmas, so it is likely that you are paying more than necessary. Maintaining a list and advanced planning will allow you to shop around and get the best deals. In addition, if you are looking for specialty items, they are less likely to be sold out or sold at an elevated price the earlier you start.

3. DO: Secret Santa

If you have a large family or a large group of friends, it can become expensive to purchase gifts for everyone. Rather than purchasing individual gifts for everyone, start a Secret Santa. The concept of Secret Santa is that everyone draws names, and each person is responsible for buying a gift for the person they chose. Some groups set a spending limit for gifts which helps with sticking to a budget.

4. DON'T: Neglect your bills to make Christmas purchases.

Stick to your existing budget. Do not defer the payment of bills so that you can buy gifts or go to a holiday party. Your rent/mortgage, electricity, cable and water bills come first. After the holidays, your bills will still exist. Entering the new year with a mountain of outstanding bills is not a good start.

5. **DO: Give Back.**

Christmas is a time for giving. It is fun to give and receive gifts, but it is also important to give to the less fortunate. Volunteer to give out food at a local shelter. Volunteer to spend some time with the children at a local orphanage or give gifts to the children. There are lots of non-profit organizations that are looking for volunteers to assist with their holiday community service projects. Volunteering may leave you feeling more fulfilled than giving out gifts.

6. **DON'T: Borrow to purchase Christmas gifts.**

If you are using a credit card to make your Christmas purchases, aim to pay off that credit card debt the following month. Maxing out your credit card and paying the minimum balance will incur interest charges of 18 percent or more. If you know that you will get carried away with your credit card, leave the credit card at home. Use your debit card or cash. **DO NOT** get a Christmas consumer loan. The rates on these loans are likely north of 18 percent and you will be paying this off for quite some time. Do you really want to go into debt at your detriment to please others?

7. **DO: Start planning for Christmas 2024 now.**

Start saving up months in advance for presents. By saving up bit by bit over several months, and working towards a specific goal, you will be less stressed out about where the money is coming from when the holiday season comes.

CFAL has a Holiday Savings Plan that allows you to start saving for the holidays in January for as little as \$110 per month. Feel free to contact our office for additional information.



8. **DO: Enjoy the holiday season.**

Christmas is a festive time. Indulge a little. Whether you like to attend or host holiday gatherings, give gifts, decorate, or travel, it is likely that you will spend a little more during the holiday season. Budgeting and planning will give you more financial freedom to have a joyful holiday and will reduce your financial burden in the new year.

CFAL is here to help.

If you need additional help, feel free to reach out to us for a Financial Planning Session. Our Certified Financial Planners are here to assist you with your budgeting, saving and investing needs.

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