

# Keeping Holiday Spending Under Control

*What little steps can you take to keep from getting carried away?*

Provided by Jill Gleba

You've seen the footage on the news. You've been in the middle of it. You've stood in the vexing lines. You've circled for the elusive parking spots. Holiday shopping can be downright frenzied – and impulsive.

You don't necessarily need to go to the mall to feel the pressure and the urges – a half-hour with your laptop or tablet can put you in the same frame of mind.

But how do you keep your spending under control, whether in a brick and mortar store or at home? Here are some tips.

**Make a plan.** Most people do their holiday shopping without one. Set a dollar limit that you can spend per week – and try to spend less than that. As you plan your financial life – and check on your plan every few days – you may feel a little less stressed this holiday season. In fact, you might want to make two budgets – one for shopping, the other for entertaining.

**Recognize the hidden costs.** Holiday shopping isn't just a matter of price tags. When you don't visit brick-and-mortar retailers, you don't eat at the food court or coffee shop and you don't spend money for gas. Carpooling to the mall or taking public transit can help you save some cash.

On the other hand, when you shop online, there's always shipping to consider. It can make what is seemingly a bargain less so. Free or discounted shipping feels like you're getting a gift. Online retailers can also be very finicky about returns. Miss a deadline to return something to an online retailer (who hasn't?) and you may end up paying sizable return fees or just getting stuck with what you purchased.

**Counteract those holiday expenses elsewhere in your budget.** Maybe you spent a couple hundred more than you anticipated on that flat-screen. To offset that extra spending, pinpoint some areas where you can save elsewhere in your budget. Could you find cheaper auto insurance? Could you eat in more this month? Could you drive less or cancel that gym membership or premium cable subscription?

**If you do go overboard, strategize to attack that excess debt.** You may want to pay off the smallest debt first, then the next smallest and so forth onto the largest. That's the debt snowball approach advocated by Dave Ramsey. Or you may want to take the debt stacking approach favored by Suze Orman, whereby you pay down the debt with the highest interest rate first, then the one with the second highest interest rate, and so on.

With the latter method, you can potentially realize greater savings on interest charges, but you lose the accomplishment of quickly erasing a debt. In the debt snowball strategy, you make minimum payments on all your debts (just as in the debt stacking approach), but you devote all your extra cash to the debt with the smallest balance. The upside there is the psychological high of (quickly) paying off a debt; the downside is the lingering, larger interest charges that come with the larger debts.

If you aren't vigilant, the holiday season could leave you with a "debt hangover," or contribute to a severe debt load you may be burdened with. According to the Federal Reserve, the average indebted U.S. household suffered with \$15,593 in credit card debt in August. That was a 2.36% increase from a year before.<sup>1</sup>

**If you feel like indulging yourself, indulge sensibly.** Some people do give themselves holiday gifts, and the same logic applies – whether it is a meal, a motorcycle, or a spa package, don't break the bank with it.

**Lastly, think about setting aside some "holiday money" for 2015.** If your finances allow, how about putting \$100 or \$200 aside for next season? Invested in interest-bearing accounts (or elsewhere), that sum could even grow larger.

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**Citations.**

1 - [nerdwallet.com/blog/credit-card-data/average-credit-card-debt-household/](http://nerdwallet.com/blog/credit-card-data/average-credit-card-debt-household/) [11/26/14]