

Avoiding the holiday spending hangover

Written by Jason Alderman
Monday, 06 December 2010 13:53



At this time of year, many people overindulge, whether it's overeating or drinking too much at holiday parties or spending too much on gifts and decorations. You'll regret the former the next morning; but with overspending you may not feel the hangover effect until the bills come due in January.

Here are a few tips for managing holiday expenses to avoid a holiday spending hangover:

Budgeting.

Before spending a dime on holiday expenses, calculate how much you can afford relative to your overall budget. Many financial planners recommend spending no more than 1.5 percent of annual income on holiday expenses. Consider:

Will your savings cover a few months' expenses in case of a layoff, unexpected medical bills or another financial emergency?

Can you pay off all holiday-related bills within a couple of months?

Do you already struggle to pay your monthly bills?

Would you need to suspend retirement savings to buy gifts?

Scale back.

Examine how much you've spent in past years and look for areas to trim. Consider: gifts for family, friends and coworkers; decorations; new clothes/accessories; gift wrap and cards; special meals; year-end gratuities; and travel-related expenses. A few tips:

Review old credit card and bank statements to jog your memory.

Arrange gift lotteries with family, friends and coworkers so you each buy fewer, nicer gifts.

Suggest pooling resources to make a sizeable group charitable contribution rather than individual gifts to each other.

Get organized.

Once you've determined your overall holiday budget, make a list or spreadsheet with columns

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for:

Everyone you need to shop for – relatives, friends, coworkers, service providers, etc.

Spending limits and gift alternatives for each person.

How much you actually spend on each gift. (Overspending on one present means trimming somewhere else.)

What you gave each person – to avoid giving them the same thing next year.

What each person gave you. That way, you won't accidentally "re-gift" something to the same person.

Other expenses (decorations, etc.)

Gift cards:

If you give gift cards, several changes were made to laws governing these cards. For gift cards sold on or after August 22, 2010, the Credit Card Accountability, Responsibility and Disclosure (CARD) Act of 2009 requires that:

Money loaded on gift cards must not expire for at least five years from date of purchase or after funds were last added.

If the card expires but the funds haven't, you can request a free replacement card.

Inactivity and service fees may not be charged until after 12 months of inactivity; after that, only one such fee may be deducted from the balance each month.

All fees must be clearly disclosed on the card or its packaging.

A few additional tips:

Note return policies for stores and online shopping sites. Watch for deadlines, exclusions for sale or clearance items and restocking charges.

Retain receipts. Many retailers will refund the price difference if an item goes on sale within a few weeks after purchase.

Check whether your credit card agreement provides free product warranty extensions and/or price protection (i.e., will reimburse the difference if you find an identical item for less).

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