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# Debt hangover common ailment

## Holiday overspending prompts new habits

Sunday, February 11, 2007

**EILEEN ALT POWELL**  
ASSOCIATED PRESS

NEW YORK ? Many people feel great when they're buying piles of gifts for relatives and friends at Christmas, but they can be overwhelmed when that blizzard of credit-card bills arrives in the new year.

Credit counselors call it the debt hangover.

"We often see a rush of people in January and February," said Sandra Shore, a senior counselor with Novadebt, a nonprofit credit-counseling organization based in Freehold, N.J.

Some, she said, have greatly underestimated how much they've spent for the holidays and are shocked when the bills come in. For others, a lack of planning means that Christmas turned into an "unexpected" event, like a big hospital bill or a surprise car repair, that can skew their budgets.

Shirley Gilbert, of Waterloo, Ill., isn't sure why, but she says she got "totally carried away" buying presents during the Christmas season in 2005.

"I bought all kinds of stuff ? you name it, I bought it ? for my daughters, for my grandchildren, for my friends," Gilbert



Some consumers don't make a spending plan for Christmas or other occasions and then are shocked when the credit-card bills arrive, debt counselors say.

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said. "I wanted a good Christmas for them. I figured I'd pay the cards off later."

But Gilbert, who is 62 and living on Social Security and disability benefits, found she couldn't deal with the more than \$7,000 she accumulated on her cards or with the phone calls from bill collectors. With the help of Novadebt counseling, she's been whittling the balance since summer, she said.

"This Christmas, I bought what I could afford and that was it," Gilbert said. "Everyone understood."

Sacha Millstone, a senior vice president at the Millstone Evans Group in Boulder, Colo., said that although some consumers feel the pain of overwhelming credit-card bills in January and February, it's often a symptom of a deeper problem.

"I believe that many people who overspend at the holidays overspend all the time," she said. "They maybe do it a little bit more at the holidays."

As a result, Millstone, whose company is affiliated with Raymond James & Associates Inc. financial advisers, thinks consumers who are in credit-card trouble need to work on a longterm solution.

"Start by looking back at the past year to determine what you actually spent. Next, create a spending plan for all of 2007."

The plan will be more realistic if the consumer can do projections based on actual spending in the previous year, Millstone said.

Once this has been done, it's easier for most people to identify where they're overspending and where they can find "extra" money to pay down bills, she said.

"Let's say you discover you're spending \$8,000 a year on clothes," Millstone said. "You have to ask, 'Is that a priority for us?? If not, maybe you're just doing it out of habit or not thinking about it at all.'"

Jack Lazar, a 58-year-old civil engineer, and his wife, Lisa, started spending heavily on credit cards in 2003 and 2004 and continued through the 2005 holiday season.

The Lazars, of Putnam Valley, N.Y., realized about a year ago that they were falling behind. With the help of credit counselors, they were able to make a budget, increase their monthly card payments and start saving more than \$100 a month as an emergency cushion.

## Where to find help

Several Web sites provide insights on how to manage and consolidate debt. Here are a few:

### **BANKRATE.COM**

[www.bankrate.com/brm/news/debt/debtguide2004/consolidating-debt.asp](http://www.bankrate.com/brm/news/debt/debtguide2004/consolidating-debt.asp)

Explores the causes of debt, hidden debt dangers and ways to eliminate it.

### **FEDERAL TRADE COMMISSION**

[www.ftc.gov/bcp/online/pubs/credit/kneedeep.htm](http://www.ftc.gov/bcp/online/pubs/credit/kneedeep.htm)


Provides several options for getting personal debt under control.

### **SMARTMONEY.COM**

[www.smartmoney.com/debt/](http://www.smartmoney.com/debt/)

Offers range of debt-management tools and information.

Source: McClatchy-Tribune News Service



[www.columbusalive.com](http://www.columbusalive.com)

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Lazar said he switched to using a debit card instead of a credit card so that he wasn't building more debt, and the couple became more careful about spending.

"For the holidays in 2006, we probably spent 10 percent of what we spent in 2005," Lazar said. Instead of gifts, the couple hopes to throw a party later this year for family and friends.

Shore said many people have to come to terms with what is causing their debt problems, which typically is spending more than they take in.

"Classically, someone will say, 'I lost my job,' " she said. "Then you ask when that was, and the answer is, 'Two months ago.' And they're collecting unemployment insurance. But they have \$40,000 in credit-card debt. That obviously started happening more than two months ago."

She thinks people trying to get out of debt need to track their spending for a while because "it can be a real eye-opener" to see where the money is going.

Next, people need to make a chart of their debts with the monthly amounts due, interest rates and totals.

Shore said consumers have to begin paying more than the minimum to get the balances to start dropping. But, she added, they also have to be realistic.

"It's like when you go on a diet," Shore said. "You tell yourself, 'I'm never going to have a cookie again.' Then you have a cookie and fall off the diet."

"With debt repayment, if you make it too strict ... you're not going to be able to stick to it. You need to give yourself some leeway."

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