

Financial advisers: Plan ahead to avoid spending hangovers

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As the ambience of the holiday season sparks shopping spree impulses, financial advisers are quick to remind consumers to spend only what they can afford to avoid "debt hangovers."

No one is safe from the grip of holiday debt, according to Jill Feldman, vice president of Novadebt, a nonprofit credit counseling agency based in New Jersey.

"Debt builds during the holiday season more than any other time of the year. It's very overwhelming."

But it's possible to enjoy the holidays and stay out of debt by simply creating a budget and sticking to it, Feldman said.

"The first thing we tell our clients is to set a spending limit, to look at a budget and to figure out how much they can realistically spend and to stick to that budget," she said.

"Second, we tell them to make a list. It's much easier to stick to a list. You think of what you want to buy, then set a limit for each person so you don't buy more than what you plan to buy."

Overspending woes are often attributed to the use of credit cards. For consumers also using credit cards for everyday living expenses such as groceries, adding holiday spending only compounds the debt as monthly interest causes balances to increase, Feldman said.

"That debt could take years and years to pay off," she said. "For something that you bought for \$20, you could be paying more years later. If you can pay with cash, it's the best way to do it."

Novadebt, whose client base ranges from high school students to senior citizens, typically sees an increase in consumers calling for assistance after the holiday season, but the increase isn't solely related to overspending, Feldman said.

"I believe it's a combination of overspending during the holidays and making resolutions to get their finances in order for the New Year," she said.

According to the National Retail Federation, 40.1 percent of shoppers will rely on debit and check cards to purchase holiday gifts this year — up from 39.1 percent last year. Credit cards will be used by 32.3 percent of consumers, while 22.1 percent of consumers will use cash and about 5.5 percent will use their checkbooks.

The federation projects that this year's holiday sales will be 4 percent higher than in 2006, though the organization recently said consumers were slow to start holiday shopping.

According to the federation's 2007 Holiday Consumer Intentions Survey, conducted by BIGresearch, 71.4 percent of consumers have less than 10 percent of their holiday shopping completed. However, if the federation's projection is correct, holiday sales would jump to \$474.5 billion this year.

The federation is one of the world's largest retail trade associations. The survey, which polled 7,982 consumers, was designed to gauge consumer behavior and shopping trends



Shoppers crowd Pierre Bossier Mall in Bossier City. Financial advisers are reminding people to spend only what they can afford this holiday season to avoid spending hangovers. (File/The Times)

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Shopping tips

Decide your spending limit in advance and stick to it. Make your holiday gift list early and set a specific amount of how much you can spend on each gift to stay in your budget.

Do your homework. Between now and the end of December, scope through online specials and take time to compare deals.

Purchase gifts with cash or debit cards rather than credit cards to avoid future bills. If you do use credit for some gifts, make concrete plans to pay off gift purchases by February, before tax time hits.

Avoid last-minute shopping. Taking time to shop for items can eliminate last-minute, and often expensive, choices.

Once your list is done, stop shopping. When every loved one on your list has that special gift and your holiday spending limit is reached, stop shopping.

Source: Novadebt

By the numbers

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Who's on your list?

During the holiday season last year, the average shopper spent:

\$451.34 on family gifts

\$85.60 on gifts for friends

\$22.40 on co-workers' gifts

\$44.52 on other gifts

\$99.22 on themselves

\$46.49 on decorations

\$30.57 on greeting cards and postage

\$91.20 on candy and food

\$18.28 on flowers

Source: Research conducted by BIGresearch for the National Retail Federation

related to the winter holidays.

"Retailers have tried to entice consumers into the stores with early sales and promotions this holiday season, but shoppers are clearly on their own schedule," BIGresearch Vice President of Strategy Phil Rist says in a federation news release.

"Because gift cards are never out of stock, consumers feel that they can wait until the last minute to start shopping. Retailers may continue to wrestle with the best ways to bring people into the stores early this year."

Two-thirds of the economy is made up of consumer spending, according to Tommy Williams, a certified financial planner and president of Williams Financial Advisors in Shreveport.

"The economy depends on people spending."

And consumer spending has been strong in recent years with the exception of Sept. 11, 2001, when most consumers put more emphasis on such important issues as family and friends, Williams said.

"It was a tough time for the economy. But since then, the prolific consumer is back to spending again," he said.

In addition, some economic concerns have had little impact on consumer spending, Williams said.

"Gas prices are a concern because they are so high, but despite that, consumers still seem to be spending," he said. "Despite the current stock market volatility, the economy is in good shape and the unemployment rate is low. It should be a good retail season. A lot of people have money to spend."

But Williams also suggests that shoppers spend their money wisely.

"I think there is a tendency to get emotional during the holiday season," he said. "Retailers and advertising are so clever that it's easy to get caught up in the excitement of things. If you spend too much money on a credit card, then you'll spend the rest of the year getting out of the hole."

Though some parents may find it difficult to set spending limits, doing so could teach young children a lesson in budgeting, Feldman said.

She suggests giving children a toy book and ask them to pick one gift they want. "They get what they want and learn how to budget. It's important for a child to understand the value of money; and it teaches them a lesson in saving money at the same time."

Deciding where to shop also is a critical step to staying within a budget, Feldman said.

"Don't wait until the last minute," she said. "Comparison shop and look for sale items in discount stores, where a lot of items have been marked down considerably."

In addition, consumers may want to look at alternatives to spending loads of money in retail stores.

"Homemade gifts — cooking, baking, anything that comes from your heart is a gift and it does not have to be expensive," Feldman said. "You don't have to spend a lot to give people what they want. Spending a day with family is a gift in itself. Instead of going out for dinner, make dinner."

And once the season ends, start saving for next year.

"By just putting a few dollars away from each pay period, you can save money to spend during the holidays."

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