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7 Reasons Why We Overspend on Vacation

Consumers are more likely to overspend with credit cards than cash, research shows, and paying for a lavish vacation can easily increase the opportunity to overspend.

A summer vacation can be the highlight of the year, and can be something that a family can easily overspend for if they consider it a reward for not taking much vacation time off during the rest of the year.

Is a lavish vacation really worth the price tag? Does it make you happy? And if not, why continue to overspend on it?

“For too many of us, financial responsibility goes out the window on vacations — it’s like we’re splurging on an excessive, indulgent meal after weeks of healthy eating,” says Donna Skeels Cygan, author of the book ‘The Joy of Financial Security.’

“But like overeating, spending without limits can have unpleasant aftereffects and reduce our happiness,” Cygan says.

Vacation spending with smart money management does bring joy, she says, but consumers should first know the reasons behind why they overspend on vacations. Here are seven reasons Cygan gives for why people overspend on vacation:

1. Book vactions ‘mindlessly’

Without understanding our own values and preferences, paying too much for an overhyped destination can be too easy. Maybe you’re booking the trip because it’s what you do every year, or you’re seduced by a slick ad promising a “discounted” but still pricey rate.

“Many people would be happier pursuing quieter, more off-the-beaten-path, yet still deeply fulfilling experiences — hiking, bike riding, playing in the creek with their kids — than crowding into some overpriced tourist trap,” Cygan says. “But often, they don’t realize this about themselves. Do some soul searching this summer and ask yourself what really brings you joy before you get out the credit cards.”

2. Underestimating joy of financial self-control

Self-deprivation and frugality may not sound like fun. But the truth is, controlling our money feels good. Conversely, spending without limits feels bad, Cygan says.

The initial rush you may get from spending large amounts on extravagant vacations quickly wears off — and it doesn't equate to more fun, greater happiness, or better memories. In fact, credit card debt often leads to long-lasting anxiety and unhappiness.

"There are many things in life we can't control," Cygan says. "That's why it's so important to pay attention to the things we can control and to be aware of their impact on our happiness."

"Remember, you control the process of planning your vacations. You control where you go and how much you spend. Plan a vacation that you can afford and live within your means. You'll find that when you control the controllables, you'll feel much more at peace — even if you're not at a five-star resort — because you aren't worrying about how you're going to pay for everything."

3. Feeling entitled to an expensive vacation

You've been working so hard all year, you deserve to overspend a bit on a vacation. That can be the thinking behind spending so much on two weeks or so of vacation.

"The irony is that we're racking up bills we'll have to work even harder to pay off," Cygan says. "In fact, you may be living your whole life like this: spending, spending, spending on a big house, a new car, all the latest electronics because your hard work means that you 'deserve' it."

"Then you have to work even harder to sustain the lifestyle that you're not really enjoying at all. It's a vicious cycle that many people never break because they never realize that the source of their unhappiness is, in fact, all of the 'stuff' they thought would bring them joy."

4. Being victims of instant gratification

In a world of fast food, two-day shipping, video streaming, and stores that are open 24 hours, most of us aren't used to waiting long to get what we want. Which is at least partially why we tend to go ahead and book that big trip right now and maybe overspend, even if it doesn't exactly fit into our budgets.

"If you don't have the money in hand to pay for the vacation you want, accept that it'll have to wait a year or two and start saving — don't buy into the 'I'll pay for it later' rationalization," Cygan says.

"I encourage people to consider where they would like to go within the context of what their current budget will allow," she says. "A trip to a nearby national park can maximize your happiness and provide just as many great memories as a trip to Europe. Taking an expensive trip that threatens your financial security is simply not wise."

5. Rationalizing the spending with 'family time'

The media, the advertising industry, and "the Joneses" have convinced us that the "best" quality time happens at an expensive theme park or on a resort vacation, she says. And with very little arm-twisting, we buy into it and overspend. We tell ourselves, Yeah, this trip is stretching the budget a bit, but the family time we'll get is priceless!

“What’s really good for your family is financial security,” Cygan says. “If your family spends one week on a blowout vacation, but then your kids hear you worrying about money for the next six months, which experience do you think will impact them more deeply?”

6. Losing long-term view while on vacation

You may be familiar with the manic spending spree that often happens on vacation. Drunk on the sensation of being “free” from the routines of work and home, you overspend and hit all the tourist destinations, dine out in the best restaurants, buy new clothes, and snap up tons of souvenirs. All of this ratchets the bill on an already expensive vacation into the stratosphere.

“It’s like being outside our normal routine causes us to forget that there will be a day of reckoning when the bills come due,” Cygan says. “We take a short-term view, go crazy, and spend.

“I think this trend is exacerbated by the fact that credit cards — today’s primary method of payment — are so easy to use. You might think twice while writing out a check or digging cash out of your wallet, but swiping a credit card just doesn’t provide that kind of reality check.”

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7. Not practicing mindfulness and gratitude

When you go on vacation, where is your mindset? Are you truly enjoying the present moment, or are you thinking about other things: What’s next on the list? Where should we eat for dinner? What would be a good souvenir to take back for Grandma?

According to Cygan, our failure to be mindful of and thankful for the here and now contributes a great deal to our unhappiness, and our tendency to “treat” it by getting a chance to overspend on it.

“We really need to stay in the moment when we’re on vacation, because where we place our attention determines our attitude,” she says. “Psychology research tells us that interacting meaningfully with family and friends will make us happier than spending money on more ‘things.’

“So slow down and spend some time just lounging at the hotel pool instead of rushing out to spend more money. Really talk to your spouse and kids for once, instead of allowing everyone to tap away at their smartphone screens during dinner. When you’re grateful, you don’t need to fill some inner void by acquiring stuff.”

How do you overspend while on vacation? Tell us in the comments section below.

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