

John Stancavage: Why many consumers overspend during holiday shopping

“It’ll take the next six months to pay my bills/ When I think about it, folks, it gives me chills,” sang B.B. King. “But I don’t care cause Christmas comes but once a year.”



With the economy picking up, some consumers will have more money in their pockets this Christmas.

And, if they are thinking like King was in his holiday song, they are going to spend it — and probably much more.

“It’s easy to get caught up in the frenzy of the season,” said financial planner Donna Skeels Cygan. “There’s a certain amount of feeling like you deserve more or wanting to keep up with the Joneses.

“It’s easy to get carried away and wind up in January with credit-card hangover.”

Cygan, author of “The Joy of Financial Security” (Sage Future Press, \$24.85), helps manage her clients’ finances in Albuquerque, New Mexico. Money, she told me in a telephone interview, won’t buy you love. Or happiness.

Ways to cut holiday gift costs

1. Set a budget for gift-giving. Sit down at the beginning of the season and figure out a specific dollar amount you can comfortably spend, financial author Donna Skeels Cygan suggests.
2. Draw names for extended family members. Instead of buying eight gifts for eight aunts, uncles, and cousins, this system allows you to buy only one gift for the person whose name you drew
3. Replace gifts with experiences. Take a trip, share a meal, bake cookies or volunteer at a soup kitchen, hospital, nursing home or homeless shelter.
4. Make a list and check it twice. Heading to the mall without an idea of what you want to buy and where you want to buy it is a recipe for overspending, Cygan said.
5. Leave your credit card at home. Use cash instead. Studies have shown that consumers spend 15 percent more when we use plastic rather than cash.
6. Do your shopping early. The less you have to fight the crowds, the easier it will be to find everything on your list—and the less stressed you’ll be.

Research from psychology and neuroscience shows that giving gifts actually brings us more joy than getting them, she said. But people often go the other way searching for satisfaction.

Individuals sometimes are afraid the dollar amount they pay for gifts will reflect on who they are, Cygan said.

“Especially in our status-obsessed society, many people genuinely believe that the more they spend on others, the higher the opinion those people will have of them,” Cygan said.

“However, the notion that there are ‘right’ and ‘wrong’ price points for certain people in our lives really doesn’t help us build quality relationships and can dig us into deep financial holes.”

Cygan suggest making a budget early — like right now — and sticking to it. Put away the credit cards as well, she advised.

“If you decide you are going to budget \$200 to spend on someone for gifts, then put \$200 in cash in an envelope and take that with you when you go shopping,” Cygan said.

The financial planner suggested shopping at times when stores are not as crowded. This allows you more time to look at merchandise and make deliberate decisions, rather than being under pressure to beat other buyers to sale items.

Along with budgeting a certain amount to spend, take some time to think about experiences or handmade gifts you can offer. Such gifts can be just as appreciated — if not more so — than purchased presents.

“One great idea is to schedule an event with friends and family where you bake cookies for two hours,” she said. “This gives everyone time to be together, and each person goes home with bags of cookies that they, in turn, can use for gifts for others.”

Another strategy is to help those in need. Get the family together and make a plan to help someone who needs it. Contact local nonprofits to find out if they will match you up with a deserving family that you can buy for.

If you do get carried away at the malls, Cygan recommends paying off your Christmas debts as soon as possible. Otherwise, the interest on the debt will continue to eat away at your budget.

The ideal situation, of course, would be not to get into that kind of pinch in the first place. So, don’t worry about what other people will think when you make your holiday spending plan.

True friends, Cygan said, would probably rather you stay within your budget.

“They might even appreciate a mutual agreement not to break the bank on a gift exchange,” she said.

If the amount you’re spending is important to the recipient, “You might need new friends,” she said.

http://www.tulsaworld.com/business/johnstancavage/john-stancavage-why-many-consumers-overspend-during-holiday-shopping/article_5faf7c47-1f0c-577d-8b69-4636816cc333.html