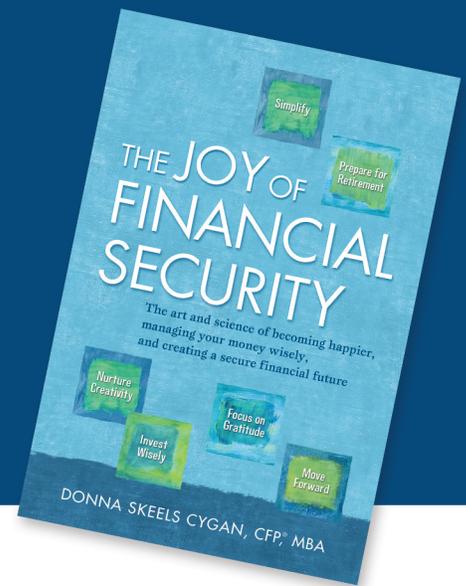


THE JOY OF FINANCIAL SECURITY

REPORT

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Keep the Joy, Hold the Regret: Why We Overspend
During the Holidays (and How to Stop)



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The holidays are supposed to be “the most wonderful time of the year,” yet for many of us they lead to overspending and stress. I offer insights as to why we spend so much against our better judgment—and advice to help you break the cycle this year

By Donna Skeels Cygan

Are you familiar with this holly-but-not-so-jolly cycle? As the holidays approach, you promise yourself that this year you won't get caught up in a frenzy of overspending. You know that piles of gifts do little to enhance your family's seasonal joy—and you definitely don't want a debt hangover that carries into January. And yet, every year, your resolve disappears under a mountain of shopping bags and wrapping paper.

You can't seem to stop yourself from adding one more person to the list...agonizing over finding gifts at the “right” price point so recipients won't think you're cheap...charging “just” one more gift for each kid so that the pile under the tree will be big enough...and so on.

I want you to ask yourself why someone who knows better (that's you) can't seem to stop spending during this time of year.

Why does the holiday hustle and bustle drown out the voice of financial good sense? Why does “the most wonderful time of the year” end up causing massive amounts of stress and overspending?

In my book *The Joy of Financial Security*, I combine my expertise as a financial advisor with research from psychology and neuroscience to shine a light on the complex relationship between money and happiness. A central tenet of my book is that lavish spending does not make us happy at all (at least not for long). Sane, smart money management—which should include holiday spending—does bring joy.

Here, I share seven questions to ask yourself about your holiday spending habits. (Pondering these things is far less expensive than therapy, and the answers can prompt you to make real, money-saving changes in your spending behaviors.)

Do I believe that the amount I spend on gifts reflects on me as a person?

Admit it: During past holiday seasons, you've found yourself in a store aisle waffling between two differently priced gifts: Gift X is easier on my budget, but I don't want Taylor to think that I'm being cheap if I don't spend a certain amount of money...so maybe I'd better go with Gift Y to be on the safe side, even though it costs more.

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. 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. True friends would probably rather you stay within your budget...and might even appreciate a mutual agreement not to break the bank on a gift exchange!

Money can't buy us love and neither can expensive gifts. And if the amount you're spending is important to the recipient, you might need new friends.

Do I feel "entitled" to a little excess this time of year? You work hard, keep your nose to the grindstone, and pay attention to your budget for 11 months of the year. So when December finally rolls around, you can't help but feel that most bets are off. It's supposed to be a season of celebration! you think. My family deserves to splurge and indulge a little bit. We'll get back on the bandwagon when January rolls around.

The irony is that we're racking up bills we'll have to work even harder to pay off once the tree comes down. 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.

Am I living my values when I overspend? How often have you filled your shopping cart with piles of gifts just because it's what the neighbors are doing or because you're seduced by slick ads and "irresistible" sales? How often have you purchased expensive ornaments and decorations so your home will look perfect? And how often have you done so without considering that an imperfect but lovingly constructed paper garland and a few nights of watching holiday films with your family might be more in keeping with what you want this

season to “really” be about?

Many people would be happier with a simpler, less-commercialized holiday season. But often, they don't realize this about themselves. Do some soul searching this December and ask yourself what really brings you joy before you get out the credit cards.

In our supersized culture, “more” is too often equated with “happiness.” You might assume that throwing a lavish holiday party will bring you joy. Instead it may bring you stress and exhaustion. Likewise, buying the latest, greatest, most expensive gadgets for your kids may lead to unhappiness when you realize you are sending the wrong message and are not teaching your kids to live within their means.

Am I a victim of the instant gratification “epidemic”? In a world of fast food, two-day shipping, video streaming, and 24-hour online shopping, most of us aren't used to waiting. And our desire to get what we want now (whether it's a gift for someone else or ourselves!) can blind us to long-term consequences like the credit card bills that will arrive in January.

If you don't have the money in hand to pay for the holiday indulgences you want, accept that they'll have to wait awhile and start saving—don't buy into the “I'll pay for it later” rationalization. And remind yourself that 90 percent of the stuff you and your family just “had to have” in the past is now collecting dust on a shelf.

The instant gratification 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. If we would only slow down, pay attention, and let the rational part of our brain take over during our frenzied shopping sprees, we'd realize that money spent now comes out of the same limited bank account we use during the rest of the year.

Is holiday overspending an unofficial family tradition? In many families, the phrase “But that's how we always celebrate!” excuses all manner of financial transgressions. We buy expensive gifts, attend overpriced events, and even go to elaborate lengths to decorate our homes and host events. And over the years, overspending can become as much of a tradition as decorating a tree or lighting a menorah. Yet “That's how we always do things!” is a poor excuse.

Before taking out your wallet, ask yourself—and the other members of your family—how much enjoyment they really get from going out to eat every night Grandma is in town, for example. It may be that you'd all feel more satisfied with some new family traditions that don't lead to

financial worries. Maybe you could put together a menu from Grandma's childhood and prepare it together, while listening to her memories of celebrating the holidays as a young girl. The most meaningful traditions aren't based on expenditures—they are based on rich experiences with friends and family.

Think about it this way. If your family has a blowout holiday celebration but then your kids hear you worrying about money for the next six months, which experience do you think will impact them more deeply?

Have I considered the joy that financial self-control can bring? We all know that gifts, parties, decorations, and entertainment are “supposed” to bring holiday joy. (And frugality doesn't sound very festive!) But the truth is, controlling our money feels good, while spending without limits feels bad. The initial rush you may get from an extravagant holiday quickly wears off—and it does not 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, and we need to accept that. However, psychology research tells us that we control roughly 40 percent of our happiness. 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 how much you spend, now and throughout the year. You'll find that when you control the controllables and live within your means, you'll feel much more at peace—even if the pile of gifts under the tree is smaller—because you aren't worrying about how you're going to pay for everything!

Will all of this “stuff” help me to enjoy the moment? During past holidays of excessive spending, entertaining, and gift-giving, where has your mindset been? Were you truly enjoying the present moment, or were you thinking about other things: What's next on the schedule? What should I serve at the party? What kind of gifts should we get the Smiths? I hope everyone appreciates all of the work I'm doing. (Maybe even, I'm afraid to check the account balance!)

We really need to stay in the moment during the holidays, because where we place our attention determines our attitude. 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 with your loved ones instead of rushing out to spend more money. When you're mindful and grateful, you don't need to fill some inner void by acquiring stuff.

After you've thought about these questions on your own, talk them over with the rest of your family. Have a conversation that includes: “We are not going to overspend this holiday season;

we are living within our means; we are saving for our retirement and for your college; we are not trying to ‘keep up with the Joneses.’” You’ll set the foundation for a truly happy holiday...and a more positive financial future for your family!

Decking the Halls Without Breaking the Bank: 10 Ways to Cut Costs While Having a Truly Joyful Holiday Season

You know “stuff” isn’t what makes the holiday season truly fulfilling. Yet each year, despite your best intentions, you end up shopping too much, rushing too much, stressing too much...and savoring the moment too little. Here, I offer 10 suggestions to help you maximize your joy by making small, deliberate changes in the way you spend (or don’t spend) your money this holiday season:

Set a budget for gift-giving. By the time we reach adulthood, most of us have learned that giving and receiving unneeded gifts is an enormous waste of money. (Many clients have told me they do well all year and then lose control during the holidays because of gift-buying expectations.) Consider the following cost-cutting strategies:

- Sit down (perhaps with your spouse) at the beginning of the season and develop a holiday budget. Don’t rely on how much you spent last year to come up with this year’s numbers—figure out what is truly comfortable for your family, even if it means you won’t be spending as much as you have in the past. In particular, you should put a specific dollar amount on how much you want to spend on gifts. Having firm parameters will help you resist the urge to add “just one more” gift to the pile—a particular temptation for parents!
- 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, saving you time and money. (Of course, you can continue to buy gifts for your children and parents.)
- If you explain to friends and family that you’d like to stick to a budget and suggest that you all place a prearranged limit on gift expenditures, odds are good that most people will respond with enthusiasm and relief! For instance, you might set a maximum of \$25 per person or a limit of \$200 for all gifts combined.

Replace gifts with experiences. Experiences are much more memorable and fulfilling than “stuff.” Instead of participating in a gift exchange, you and your loved ones might:

- Spend a morning baking cookies together. After baking, the cookies can be packaged with holiday ribbons, providing the added benefit that everyone goes home with several types of cookies to enjoy or give as gifts.
- Together with family or friends, choose a local charity or “adopt” a family that is less fortunate. Spend a half-day shopping for food and/or gifts, then wrap them and deliver them. Neuroscience research has shown that reward centers light up in the brain when we give to charity. In essence, doing good feels good.
- Volunteer at a soup kitchen, hospital, nursing home, or homeless shelter. Giving your time to others who are less fortunate will help you to focus on gratitude.
- Organize a lunch or dinner together—either at an affordable restaurant or as a potluck at someone’s home.
- Take a drive to look at holiday decorations, attend a concert, or visit a museum or nearby town. Get creative as you plan your experiences.

Make a list and check it twice. Jumping into your modern-day sleigh and 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. There are just too many “shiny objects” that can catch your eye! That’s why I suggest making a list of the people you want to buy for and brainstorming specific gifts you’d like to find for each individual. With your list in hand, you’ll be less likely to become sidetracked by all of the attractive store displays.

Leave your credit card at home. Commit to using cash when you visit retail stores. Why? Studies have shown that we spend about 15 percent more when we use a credit card rather than cash. It’s easy to justify spending “just” a little more when you know that you won’t receive a bill for several more weeks. But when you have to count out and hand over cold, hard cash, you’ll probably find yourself making much wiser spending decisions.

Do your shopping early. If possible, I recommend doing your shopping during off-peak hours, as early in the season as you can. 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. Try to finish your shopping before Thanksgiving. Retailers often have great sales in early November. This frees up Thanksgiving and December for enjoying the holidays, rather than frantically shopping for last-minute gifts.

(And let's face it—when time is short, your willingness to pay more increases.)

Browse some virtual shelves. Many online retailers offer attractive discounts that are difficult to find in brick-and-mortar stores, and some even offer free shipping. If you like a certain retailer, sign up on their website so you will receive emails regarding sales, discounts, and coupons. Again, just be sure to shop early so that the items you want are in stock, and so that you don't have to pay for rush shipping.

Understand that value often has nothing to do with price. Of course you want recipients to like, use, and value the gifts you give them. That's why we're tempted to go all out and purchase expensive items—they're certain to make a big impression! But remember that the most memorable, treasured gifts often don't come with big price tags. For instance, Grandma might proudly hang framed artwork by your kids in her home and admire it for years to come.

Remember the reason for the season. Regardless of your spiritual beliefs, the holidays are most fulfilling when you focus on your family, your spirituality, and your values. The hustle and bustle and materialism often serve to interfere with the true meaning of the holidays. Don't let them. Together with your family, make a conscious decision to focus on quality time together. (Remember, it's okay to politely say "no" to things that have a negative impact on your time or money during the holidays.)

Start some new, affordable traditions that reflect your family's values. For instance, you may decide that during December you want to cook evening meals from different cultures or different religions. Perhaps you want to announce to your family that you'll set aside several hours of each weekend day for rest and relaxation. The Spanish and Italians take a siesta every day, and the concept of the Sabbath in many religions would be a wise addition to our hectic routines—especially during the holidays!

Celebrate your success. Celebrate the positive financial changes you've made by planning a special treat for yourself sometime after the holidays. This celebration can be as simple as sharing a champagne toast with your spouse or blocking out some "me time." When you recognize that you are moving forward toward financial security and greater happiness, you'll be motivated to keep up the good work in 2015. And it will truly be a happy new year!

About the Author:

Donna Skeels Cygan, CFP®, MBA, is the owner of the financial advisory firm Sage Future Financial, LLC, and the author of *The Joy of Financial Security: The art and science of becoming happier, managing your money wisely, and creating a secure financial future*. She has been recognized numerous times as one of the top financial advisors in the U.S. She seeks to help her clients take control of their money in a way that maximizes their happiness.

Cygan has contributed to articles and has been quoted in national newspapers and magazines, including the Wall Street Journal, the New York Times, the Chicago Tribune, Forbes, Kiplinger's, and Investment News. She has appeared on TV programs in New York, Seattle, Portland, Phoenix, Minneapolis, and Memphis, as well as on many radio shows across the U.S. She also enjoys speaking on many topics related to money and happiness. To learn more, visit www.joyoffinancialsecurity.com.

About the Book:

The Joy of Financial Security: The art and science of becoming happier, managing your money wisely, and creating a secure financial future (Sage Future Press, 2013, ISBN: 978-0-989-77844-2, \$24.95, www.joyoffinancialsecurity.com) is available at bookstores nationwide and from major online booksellers.