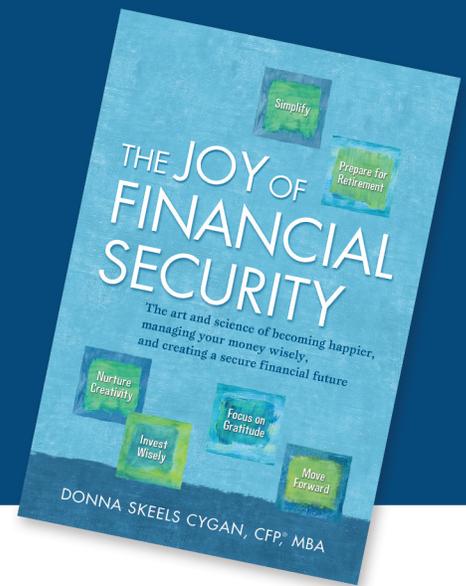


THE JOY OF FINANCIAL SECURITY

REPORT



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The Psychology of Vacation Overspending: Seven Truths
You Need to Know So You Can Rein It in This Summer

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The Psychology of Vacation Overspending: Seven Truths You Need to Know So You Can Rein It in This Summer

Here, I examine the psychology behind why we spend ourselves into a post-vacation financial hangover year after year—and why breaking these habits can make us richer and happier

By Donna Skeels Cygan

It happens every summer. You book a vacation at some pricey locale—depending on your circumstances, “pricey” could mean Europe, Disney World, or perhaps an oceanfront hotel room at a nice beach—and wait anxiously for your time in Paradise to arrive. Meanwhile, you make your flight reservations. You buy a new outfit (or two, or three). You search the Internet for great restaurants and must-do activities. And when vacation time finally arrives, you jump in with utter abandon.

At some point—perhaps as you sip an overpriced poolside drink—you feel a twinge of worry: This is getting expensive. But it’s not until you get back home that you realize, Yikes, we spent \$5,000 in one week! ...and that’s when the sick feeling in your stomach really kicks in.

I want to know: Are these lavish vacations really worth the price tag? Do they make you happy? And if not—why do you keep overspending?

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

The irony is that an event that’s supposed to be all about happiness—vacation—ends up making us unhappy. Clearly, we really don’t understand what creates happiness.

In my new book, *The Joy of Financial Security: The art and science of becoming happier, managing your money wisely, and creating a secure financial future*, I combine my expertise

with research from the fields of psychology and neuroscience to shine a light on this topic. Lavish spending does not make us happy at all (at least not for long). Sane, smart money management—which should include vacation spending—does bring joy.

But before you can change your vacation habits, you must first know why you do it. Here, I share seven truths about why we do it—and what actually makes us happy:

We book vacations “mindlessly” without truly understanding our own values and preferences. How often have you booked a trip to some overhyped destination just because it’s what you do every year...or because it’s what the neighbors are doing...or because you’re seduced by a slick ad promising a “discounted” (but still pricey) air fare and hotel rate? And how often have you done so without considering that, actually, a couple of long weekends in a rustic cabin in the mountains might actually be more in keeping with what you really enjoy?

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. 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.

Beware, especially, of the luxury trap. In our supersized, commercially driven culture, luxury is seen as the pinnacle of happiness. You might assume the lavish beachfront room is going to be sooo much better than the hotel a few blocks back from the ocean, so you shell out for it. But really, the far lower price tag would likely give you a sense of control that feels much better than the fleeting ocean view.

We underestimate the 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. The initial rush you may get from spending large amounts on extravagant vacations 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. 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!

We feel entitled to an expensive vacation since we work so hard. Have you ever noticed that when hardworking, otherwise-responsible people get into “vacation mode,” they go crazy? They've had their noses to the grindstone all year and think, This is my vacation—my escape! I should make the most of this and do whatever I want, because in a week, I'll be back on the hamster wheel at work!

The irony is that we're racking up bills we'll have to work even harder to pay off. 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.

We're 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, 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. I encourage people to consider where they would like to go within the context of what their current budget will allow. 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.

We rationalize 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. And with very little arm-twisting, we buy into it. 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. 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? Also, it's worth noting that you'll interact more meaningfully and get in more “quality time” on a camping trip than at a theme park that's full of distractions!

Once there, we get into “vacation mode” and lose sight of the long-term view. 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 hit all the tourist destinations, dine out in the best restaurants (often gorging on drinks, appetizers, and desserts in addition to the main course), buy new clothes at the local outlet stores, 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. 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.

If we would just slow down, pay attention, and let the rational part of our brain take over, we’d realize that money spent on vacation comes out of the same limited bank account we use at home.

We fail to practice 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? I’ll be upset if we don’t get to do XYZ activity. I wish Junior would stop whining. (Maybe even, I’m afraid to check the account balance!) 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 spending more.

We really need to stay in the moment when we’re on vacation, 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 just lounging at the hotel pool instead of rushing out to spend more money. Really talk to your spouse and/or 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.

Money does not buy happiness, but how much of it you do (or don’t) have definitely impacts your happiness. The truth is, having a sense of control over your budget might just be the key that enables you to take the most enjoyable vacation you’ve had in years. Don’t discount the power of managing your money wisely!

The Financially Sane Vacation: 15 Ways to Cut Costs (and Add Joy) to Your Summer Trip

The expensive vacations your family typically takes rarely leave you feeling as happy as you'd hoped, and they put a terrible squeeze on your bank account. For the sake of your fulfillment and your finances, you're willing to try to cut expenses this year...but where to start?

Here, I offer 15 suggestions to help you plan a memorable trip that doesn't break the bank:

Plan ahead... The earlier you start planning your trip, the more money you'll likely save. Look for discounts on flights, tickets, hotels, and more. Research inexpensive or free activities at your destination. Then vacation with a budget-minded plan. Remember, spur-of-the-moment might be fun, but it also tends to come with a big price tag.

...and don't forget to tally up all of the costs. We've all encountered hidden (or at least in impossible-to-read fine print) costs, fees, and taxes that come with hotel stays, plane tickets, etc. As you plan your vacation, don't forget to take these things into account, as well as incidentals like food, gas money, sunscreen, etc. Don't nickel and dime yourself into busting your budget!

Consider staying close to home. In general, the further you travel, the more expensive a trip becomes. So even if you're used to crossing the country (or even an ocean), consider vacationing in a place that's a tank or two of gas away. If you visit your state's (and neighboring states') tourism websites, you'll probably find more than a few interesting destinations.

Visit Aunt Millie. Do you have relatives or close friends who live in another part of the country? If so, consider asking them if you can come for a visit. (Maybe you can return the favor later.) It's a good opportunity to see a new place and reconnect with loved ones.

Plan several small trips instead of one big one. If your budget can't comfortably accommodate a one- or two-week vacation each year, decide to take those more expensive trips every two or three years and plan smaller trips in between. (Several small trips are also a good solution if your family can't agree on which big trip they'd like to take.) Day or weekend trips don't drain your bank account nearly as much, but can still be enjoyable for your family. State and national parks, museums, zoos, summer concerts, and baseball games are all great ideas.

Planning several weekend getaways can actually provide more happiness than a major vacation, especially if you're on the "rat race treadmill." Not only will mini-vacations provide a sense of adventure and relaxation as you explore nearby towns, simply anticipating an upcoming weekend away from a hectic lifestyle can increase one's happiness.

Book a room in the great outdoors. If your family is open to camping, skip the hotel and sleep under the stars (or perhaps a tent!). If you don't own equipment, many outdoor stores will rent tents and sleeping bags. And "camping food" like hotdogs and s'mores is very affordable. Best of all, figuring out how to put up that tent, telling stories around a campfire, and "roughing it" together will lead to great family memories.

Knock a star off your hotel... Yes, we all enjoy cushy hotels. But be honest with yourself: How long will your family really be in your room? Chances are, you'll only be sleeping and showering there. Forgo bells and whistles so that you can feel better about spending money on daytime activities.

...or find a home away from home. Believe it or not, in many locations, it can actually be less expensive to rent a home than it is to book a hotel room. (Take a look at sites like www.vrbo.com and www.homeaway.com.) And as a bonus, you'll probably have access to kitchen and laundry facilities.

Hold a garage sale to raise funds. Before embarking on your trip, go through your house one room at a time and commit to purging. Set aside items you don't really like, don't use, or that are worn or broken. (Be ruthless—ask a friend for help if you think you'll need the support!) Then, hold a garage sale and donate anything you don't sell to charity. You can earmark the money you make to pay for an aspect of your vacation: boarding the dog, meals at restaurants, gas, or just guilt-free mad money. And as a bonus, once your trip is over, you'll come back to a home that's cleaner, less cluttered, and more pleasant—adding to your sense of peace.

Have a "values talk" before your vacation. Before embarking on your trip, sit down as a family and identify what you really want to do while you're away so that you aren't mindlessly running around and spending money. Consider your values and talk about which past vacations have been most meaningful to you and why. (You may be surprised by the answers!) Focus on choosing activities that will create lasting memories—chances are, you'll cherish them more than "stuff." With this plan in mind, it will be easier for all of you to be more frugal about things you probably won't remember two weeks from now.

Factor in some “down time.” While at first glance this may not seem like a money-saving tip, it actually is. When you pencil in some time to just hang around your hotel pool, for instance, by default you won't be running around spending money. Plus, this gives you some breathing space to enjoy your family and just bask in the time you're spending together—these are the moments true happiness is made of.

Pay in cash whenever you can. Research has shown that we spend roughly 15 percent more when we pay with a credit card as opposed to using cash. Of course, you'll probably have to use a card when booking your airline tickets and reserving a hotel room, but once you get to your destination, plan to use cash. If you have to reach into your wallet and count out bills in order to pay for a meal or memento, you might just decide that it isn't worth the money after all.

Look for cheap eats. If you're driving, pack a cooler with sandwiches so that you don't have to stop at restaurants along the way. Once you get to your destination, swing by a grocery store and pick up ingredients for quick and easy meals, like Pop Tarts, bread, peanut butter, and snack crackers. And for meals out, ask your hotel about coupons and early-bird specials.

Say no to cheap souvenirs. Just about every tourist destination on earth sells magnets, t-shirts, stuffed animals, coffee mugs, and other branded merchandise. Make a family pact not to spend money on this stuff (which, let's face it, will probably be collecting dust on a shelf within a month). If you do purchase a souvenir, make it something your family will use and treasure; for instance, a local handmade craft you can display in your home. Before whipping out your wallet, try to make a habit of asking yourself, Does what I'm about to buy really matter to me, or would I rather put the money toward something more meaningful?

Start saving for next year. Once you've returned home from this year's vacation, start saving for next year's trip. (Not only will you be saving money; you'll also be saving yourself future financial anxiety!) I recommend using the Christmas club accounts used by banks in the 1960s as a model. Put a set amount into your vacation fund each week or month and make extra contributions from tax refunds, bonuses, or raises.

You can also involve your kids in your vacation club account by having them contribute a set amount of their allowance or birthday money. Create a colorful paper link chain, and add a link every time the fund increases by \$20. The chain will become longer as the vacation gets closer. This is a great way to teach your kids the concept of saving over time for a goal—and to show them the satisfaction it brings!

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.thejoyoffinancialsecurity.com) is available at bookstores nationwide and from major online booksellers.