



## **Holiday budgeting can hold down debt**

By EILEEN ALT POWELL, AP Business Writer *Wed Nov 22, 2:41 PM ET*

NEW YORK - As the holiday shopping season begins, many consumers need to figure out how to avoid taking on too much debt.

A bit of planning will go a long way toward keeping costs in check.

Big bucks are involved. Spending for Christmas, Hanukkah and Kwanzaa is expected to total \$457 billion this year, a 5 percent increase from last year, according to the National Retail Federation.

The average consumer plans to spend more than \$790, the Washington, D.C.-based trade group said. This includes nearly \$604 on gifts along with smaller amounts on decorations, food and candy, and greeting cards and postage. Most consumers also admit they're likely to be lured by sales and discounts to spend an additional \$100 on themselves.

Robert Pagliarini, a certified financial planner with Pacifica Wealth Advisors in Mission Viejo, Calif., said too many people go into the holiday season assuming they're going to eat too much and spend too much.

"It's almost like a badge of honor — I'm going to eat too much and gain weight. I'm going to charge too much and have a lot of debt to deal with in January," he said.

But Pagliarini, author of "The Six-Day Financial Makeover — Transform Your Financial Life in Less Than a Week," said consumers can adopt tactics to produce "effortless willpower" in holding to a holiday budget.

He suggests starting out "in the comfort and safety of your house" long before you head for the mall.

First, he said, answer two questions: Who do I really need to buy for? How much can I afford to spend on this person?

Then you need to get out envelopes and write the name of each person on an envelope and put in the envelope precisely the amount of money you intend to spend on that person.

"When you go to the mall, you leave your credit cards at home and you bring only your driver's license and your stack of envelopes," Pagliarini said. "If there's \$20 in Jane's envelope, then you're spending \$20 on Jane — not \$25, not \$30, not \$40."

For those who know they're going to want to buy something for themselves, too, Pagliarini suggests "make an envelope for yourself, too."

Pagliarini also points out that there are alternatives to buying individual gifts:

- Get co-workers to chip in for an ice cream party rather than exchanging gifts
- Plan something special for the family, like a ski trip
- Agree with friends not to exchange gifts at all but, instead, to meet for some kind of outing

Diane L. McCurdy, a certified financial planner from Bakersfield, Calif., said she felt more people were feeling torn by the holidays, as in "My family deserves a big holiday dinner!" vs. "Gee, I'm spending \$250 on Christmas dinner and I'm stuck in the kitchen again!"

McCurdy, the author of "How Much Is Enough? Balancing Today's Needs with Tomorrow's Retirement Goals," said people don't have to feel compelled to spend.

"It's OK to break the holiday cycle of spending," she said. "But you need to warn family and friends that that is your goal."

She advised being honest about it, perhaps telling relatives at Thanksgiving that "I can't afford to do Christmas — or Hanukkah — the way we've done it in the past."

This strategy works best when you come up with alternatives, McCurdy said.

"Suggest that the family draw names, buy for the kids only, set a spending limit on each gift — or a combination of all three," McCurdy said.

The cost of holiday activities such as dinners can be reduced, too, if guests are asked to bring some of the food and beverages. And, she said, "families can assign duties, like who sets the table and who washes the dishes so no one is stuck with all the work and everyone gets to enjoy the holiday."

McCurdy also favors doing things rather than giving things as a way to create new traditions and hold down costs — take the kids ice skating or caroling; attend a nearby candlelight service; share tickets to a production of the Nutcracker Ballet.

"The hope is you're building memories, not building debt," she said.