



Ways to Avoid Holiday Financial Stress

Black Friday sales are springing up online and in local stores. But you still have time to pull together a financial plan for the holidays that will keep your bank account in the black. Carve out some time in the next few days to do the following, and you should be in good financial shape for the festivities to begin.

Check your credit score

It may seem like an unlikely place to begin your holiday preparations, but Manisha Thakor, director of wealth strategies for women at financial advisory firm Buckingham and The BAM Alliance, says it's smart to check your financial pulse before wading into the stores where easy credit is readily available. "There's a power that comes from knowing where you are," Thakor says. "That awareness will give you the right level of motivation." Shoppers who are motivated to maintain or improve their score may find they are less likely to charge purchases or open new credit lines while holiday shopping. Although there are several credit scores available, Thakor recommends people check their FICO score, since it is the one most widely used by lenders.

Decide whether to cast a wide net

Next, it's time to create a game plan for holiday spending. "Think about whether you want to go narrow and deep with gifts or wide and shallow," Thakor says. Narrow and deep means limiting the shopping list to only a few people and spending the majority of your budgeted amount on them. Those who decide to go wide and shallow may give inexpensive presents to a large number of people. "What you really want to avoid is wide and deep," Thakor says. When people try that approach, they almost always overspend what they can afford.

Set a per-person shopping budget

It's not enough to simply know how much you plan to spend in total for the holiday season. You also need to break that number down by person, says Zaneilia Harris, president of Harris & Harris Wealth Management. "The more organized you are and the more detailed you are, the better," she says. That means naming an exact dollar amount for each person on your shopping list. "Say, I'm only going to spend \$150 on each kid," Harris says as an example. Then, once you've hit that dollar amount, stop shopping for that person.

Scope out purchases in advance

Harris is also a fan of using online shopping carts as a way to avoid impulse purchases. "You can keep things in your basket and then step away to think about it," she says. As a bonus, some retailers will email coupons to those who have left a full cart on the site, making a future purchase less expensive.

Smarter Ways to Shop Online

For offline shoppers, Harris recommends a similar strategy of scouting out purchases. "Leave your credit cards at home and go look [in the store]," she suggests. Both methods also help consumers avoid the scenario in which they buy one gift and then later find something else they like better.

Pick one day to go shopping with a list

When it does become time to start spending money, try to pick one day to complete all your shopping. Don't venture out without a list of specific purchases for each recipient either. "We're planners, and we know the best way to avoid stress in any type of situation is to have a plan," says Steve Martin, a certified financial planner and director at BKD Wealth Advisors in Oakbrook Terrace, Illinois. "If you don't have a list, everything is on your list."

Have a plan for credit usage

Michelle Hutchison, money expert at personal finance comparison website Finder.com, says many people may have a budget for the holidays, but don't have access to all that money upfront. "For instance, if you plan to spend \$500 on the holidays, you should put away \$100 each week towards your holiday budget," she says.

However, that approach means people won't have cash to do all their shopping until the end of December. In that case, they may want to look to credit options including credit cards, personal loans or other lines of credit. "There's nothing wrong with using credit cards during the holidays if you don't go overboard and get yourself into more debt than you can afford to repay in a reasonable amount of time," Hutchison says.

Scrap the store-bought gifts

One of the best ways to avoid being financially stressed during the holidays is to skip the expensive store-bought gifts altogether. This approach has benefits beyond simply saving money.

Martin remembers making Christmas gifts with his wife each year early in their marriage when money was tight. They made candles one year and flavored olive oils another. "It was fun," Martin says. "It was time spent together."

The holidays are closing in fast, but there is still time to take these proactive steps to avoid finding yourself in a financially stressful situation. And then for next year, Harris has some other advice: "I think you start planning in the summer, honestly."

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