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# Budgeting for the Holidays



The key to keeping holiday spending under control is budgeting. Below you'll find tips for setting and sticking with a holiday budget.

## Setting a holiday budget

The first step in getting control of holiday expenses is deciding exactly how much you can spend in advance. There are four main areas in which most people spend: gifts, entertaining, travel, and decorating. And each of these areas comes with hidden expenses. For example, gift-giving costs can be much more than the price of each gift. You also have to consider the cost of wrapping and shipping gifts.

**Making a gift list.** Take the time to make a list of everyone for whom you'd like to buy gifts. Include teachers, mail carriers, co-workers, newspaper delivery people, and anyone else you may give a gift to. Next, consider your list. Are there people who could receive a card rather than a gift? Then, set a price limit on each gift. For example, you might decide that you'll set a $30 limit on immediate family members, $20 on children in your family, and $10 on acquaintances like co-workers or teachers. Don't forget to include the cost of wrapping paper and shipping.

**Entertainment costs.** Many people forget to factor in the cost of holiday entertaining. Even if you aren't having a party, providing snacks for neighbors or friends who drop by and serving the holiday meal can be expensive. Try to think of ways in which you can cut back in this category. For example, consider inviting friends and neighbors over for a cookie swap rather than baking batches to give away. Or ask family members to contribute a dish to your holiday meal instead of supplying all the food yourself.

**Travel costs.** If you'll be traveling during the holidays, even if it's by car, be sure to include these costs in your budget. The tips in the next section of this article can help you trim your travel expenses.

**Decorating costs**. Estimate how much you'll spend on holiday decorations. This is often an easy area to cut back in. Think about what you did last year and determine whether you can reuse any decorations. You'll find more tips below for saving money on decorations.

**Adding it all up.** Finally, add up the estimates from all four areas. If the total amount is more than you can afford, go back to your lists and the tips in this article to see where you can cut back. Ideally, you'll have done this early enough in the year so you can slowly set aside money to cover your holiday expenses or have purchased price-limited gifts throughout the year. But if you haven't, you can look for even more ways to trim your holiday budget while cutting back your regular expenses and putting money away for the holidays.

Once you've reached a reasonable budget limit, you need to commit to sticking to it. The tips below can help.
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## Ways to spend less

Many people blow their holiday budgets because they get carried away by the excitement and spirit of the season. It's important to remember that you can still have a joyous holiday season without going over your budget. Try to focus on the true spirit of the season rather than the more commercial aspects. Also, try to avoid feeling pressure to give expensive gifts. The best gifts are those chosen with an eye toward what's personal and meaningful to the recipient. These kinds of gifts don't have to cost a lot.

Here are more ways to save money during the holidays:

**Set expectations with friends and family.** If you're worried about finances this holiday season, talk about it with friends and family. Let them know if you'll be cutting back on the number of gifts or how much you plan to spend. This is especially important for children, who often have unrealistic expectations about gifts and don't fully understand the cost factors. Also, consider price-limited charitable donations in the family's name.

**Look for ways to cut back on the number of gifts you buy.** There are many ways to shorten your gift list. If you have a large family or group of friends, ask if they'd like to draw names out of a hat and give one gift per person. Or give family gifts, such as a board game, a "movie night" with gift certificates for DVD movie rentals and snacks, or a pass to a local museum rather than individual gifts.

**Consider homemade decorations and gifts.** There are many heartfelt, thoughtful gifts and decorations that don't come with a sales receipt. Use the holiday cards received as part of your decorations; you could cook some treats; put together a photo album; make a themed gift basket full of smaller items, like tea, paperback books, or gardening tools; or give the gift of your time by making homemade coupons or certificates.

**Make a shopping plan.** Don't head out to the mall without a specific list of gift ideas and price limits. This is how you end up spending more than you budgeted for. Look through catalogs or websites for ideas and develop a list before you even step foot in a store.

**Look for bargains.** Take the time to look for ways to save money on decorations and gifts. Consider buying items during the "after the holidays sale season" and put them away for next year. Try to buy several things from one catalog or website to save money on shipping, or better yet, look for sites that offer free shipping. Comparison shop using the flyers that come in the weekend papers to find the best deal around or use sites like the Google shopping site, NexTag, Pricegrabber, or Shopping.com. Consider buying gifts on sites like eBay or Overstock, both of which offer many new, high quality items at discount prices.

**Cut back on mailing expenses.** If you always send boxes of gifts or holiday cards to loved ones far away, think of ways to save on or eliminate shipping costs this year. Buy magazine subscriptions or send online gift certificates instead of shipping gifts. Send holiday postcards or even e-cards instead of regular cards. If you've already bought cards, save the leftovers for next year. And be sure to mail things early so you don't have to pay extra for fast shipping.

**Make careful travel plans.** If your holiday plans include a trip, be sure to investigate all of your options as early as possible. For example, could you drive instead of fly? If so, drive the vehicle that gets the best gas mileage. Could you make do without a rental car? If you need to travel by air, be sure to spend time looking for the lowest price ticket. If possible, be flexible about dates. You could save a lot of money by flying immediately after the holidays rather than before. If possible, stay with a friend or relative instead of in a hotel room. There are numerous websites that compare travel costs – KAYAK, Booking.com, TripAdvisor, trivago, Expedia, and many more.

**Keep it simple.** Focus on enjoying the simple pleasures of the holiday season, like spending time with friends and family or taking a walk to see the holiday decorations in your neighborhood. These kinds of activities often capture the spirit of the season better than expensive gifts or elaborate celebrations.

**Use your credit card wisely.** Finally, be very careful about using your credit card to pay for holiday expenses. Don't use your card unless you know you can pay if off right away. If possible, use a card that doesn't already carry a balance. Remember, buying a sweater on sale with a credit card and making monthly payments could change the sale price to double the price. You don't want to start the new year off with an oversized credit card bill.