

Managing Holiday Expenses

Holidays can be overwhelming, stressful and tough on your finances. Between gifts, travel expenses, decorations and entertainment, costs can add up very quickly and result in a significant amount of debt. Proper financial planning is essential to organizing your budget, keeping stress under control and reducing unnecessary spending.

Holiday Budget

Creating a holiday budget is necessary in order to set clear expectations for upcoming expenses. To avoid financial strain, it is important to approach any situation with a plan. Although it is difficult to account for holidays throughout the year, a holiday budget can be a great tool to assist you. To get started, follow these steps:

Step 1: Review last year's holiday expenses. Make a note of the types of expenses your money went towards.

Step 2: Create a budget that includes the following: gifts, food, gas, decorations and travel. You can add other categories as you see fit. Set limitations on how much you can spend this year based on your current financial situation. Be sure to differentiate between wants and needs, and remember to be realistic about what you can afford.

Step 3: Create a detailed plan for how you will ensure that you follow the budget. For most people, this can be tricky. It is normal to have a limited amount of financial resources to work with, so it is important to identify any expenses that can be given up to allow for additional saving. To make room for holiday expenses in our everyday budget, one can consider cutting back on non-essential expenses, selling unwanted items for extra cash, or even get a seasonal or a part-time job to increase total income.

Step 4: Implement and execute your plan. Once you know how much you need to save to achieve your holiday spending goal, divide that number by 12. Then, open a savings account and set this amount aside each month.

Gifts on a Budget

There is an entire marketing industry that pressures consumers to purchase large, expensive gifts to show affection for their loved ones. However, the focus of a holiday should not be to spend money; rather, it should be about spending time with family, celebrating traditions, enjoying time off from work and participating in various activities.

Brainstorm low-cost ways to spend time together like volunteering or making homemade gifts and decorations for your loved ones and others. When shopping, keep in mind that what matters most is the thought and care put into a gift, not the size and cost of it.

Tips to Remember

Consider the following tips to help you follow your budget:

- Always give what you can afford
- Plan for the holiday early
- Avoid impulse buys by considering all options before making a purchase
- Bring a copy of your budget with you when shopping for quick and easy reference
- Set spending limitations and ensure your spending stays within them
- Use cash instead of credit cards
- Avoid payday loans
- Create homemade gifts and baskets to reduce spending
- Re-gift if appropriate and possible.

Getting Out of Holiday Debt

If you did not plan accordingly, you may have accrued some new debt after your holiday spending. It is crucial to address this right away. Between credit cards and loans, overspending can lead to a downward financial spiral. To avoid this, you must make your debt a priority and create a detailed plan to pay it off.

Calculate the amount you owe on credit cards, personal loans, payday loans and store or gas cards and check the interest rates. The key to getting out of debt is creating a monthly budget to track your income and expenses. This helps you to better track your spending, live within your means and ensure that you do not accrue more debt. Calculate how much you need to pay monthly to ultimately achieve your goal of paying off the entire debt.

You may still have to pay off last year's debt before you can start saving for this year. Build on your existing spending and saving goals, and if you do not reach them this year, work toward accomplishing them next year. However, remember that if you have debt, it will take more work to pay it off and save for the upcoming year. This means suspending certain expenses and future purchases until you are debt-free.

We like to splurge on ourselves and our loved ones, but remember to spend within reason and live within your means. If you prefer to have extravagant holidays, be sure to spend and save accordingly throughout the year to achieve this. If your financial situation is strained or you are simply looking for a better way to approach the holidays in the future, be sure to create a plan to pay off the debt and avoid overspending to have a better financial situation in the future.

Resources

- MyMoney.gov: www.mymoney.gov

- USA.gov: www.usa.gov/money

Here when you need us.

Call: 844-207-5465

Online: guidanceresources.com

App: GuidanceNowSM

Web ID: LivingME

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