

DCC DOLLARS & SENSE

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Christmas in July

Special points of interest:

- Unique ways to save
- Facts on Credit Card debt in America, and how to avoid it.
- Controlling holiday debt and eliminating worries

The holiday season is a favorite time of year for millions of Americans. It is a time for celebration, spending time with family and friends and demonstrating appreciation and love by giving gifts. Unfortunately, it is often not until the holidays are over that many people

begin focusing on the fact that it is also a time for overspending.

In recent years, U.S. households have spent an average of \$490 per year on Christmas gift buying alone. Many adults admit that they do not plan ahead for the additional holiday expense related to celebrations and gift giving. Consequently, this lack of planning often leads to overspending and credit card purchases. On average, Americans spend the first six months of every year paying off the holiday debt from the previous year. In many cases, the bills far outlast the gifts.

These days, it is easier than ever to be approved for a credit card - even if you are already swimming in debt. Organizations specializing in helping people get out of debt state that credit card companies actually target people with credit and debt problems with special low interest introductory offers hoping that they will use their new credit card to pay off existing debt. On average, American adults re-

ceive seven credit card offers through the mail each year, regardless of their credit history. And many people have the erroneous belief that if they are approved for credit they must be able to afford it.

We know that unpaid debt can seriously impact our credit rating, but did you know that it also produces stress that can impact our relationships and even our health? Marriage counselors report that financial stress is one of the greatest contributing factors to marital conflict and divorce. Also, a recent research study conducted by Ohio State University found that people who are feeling stress associated with debt are in worse physical condition than those without money worries.

Credit Card Facts:

In the United States, the average household has 13 payment cards. These include credit cards, debit cards and store cards.

Americans carry, on average, \$5,800 in credit card debt from month to month. If one were to make only the minimum payment on that debt every month, it would take 30 years to pay off - and include an additional \$15,000 in interest.

On average the typical credit card purchase is 112% higher than if using cash.

Over 40% of U.S. families spend more than they earn. (Federal Reserve).

The typical "Minimum Monthly Payment" is 90% interest and 10% principal.

Christmas in July cont.

In 1999 there were more than 1.354 million personal bankruptcies declared.

If you didn't have your credit card payment of \$218 a month, and you instead invested that money in a 12% savings plan, in 25 years you could retire with \$1,354,930 in the bank.

Controlling Your Holiday Debt

Although it is unlikely that your holiday spending will lead straight to bankruptcy, it is important to be reminded of how responsible planning prior to the holidays can help you avoid the holiday overspending blues. Keeping your expenses under control can actually result in stronger relationships, better emotional, spiritual and physical health and greater financial savings. It is possible to have a Christmas without using your credit cards by simply planning ahead. To make it through the festive season without going into debt, it is important to first determine exactly how much cash you will need. Think about how much you normally spend for Christmas gifts and goodies. Be sure to include any special food expenses in your total, such as if you are providing the main holiday meal (s) or responsible for a large portion of it. Once you arrive at your total, determine how much you will need to save daily or weekly. Divide that number by the number of weeks or days left to save up the money. Examples: (These are approximate amounts.) \$500 divided by 15 weeks = \$34.00 wk \$300 divided by 15 weeks = \$20.00 wk \$400 divided by 107 days = \$ 3.75 day \$200 divided by 107 days = \$1.90 day. The following is a list of ideas to help you begin your Christmas savings plan:

Purchase a gift certificate each pay period. When you are ready to begin shopping, use the certificate to pay for the items. Remember to keep an eye on certificate expiration dates.

Use layaway plans. When items are placed on layaway, there is no interest charged.

Open a Christmas account. There's still time to open a Christmas account with your local credit union or bank. Make automatic payroll deposits if you can. If not, write yourself a check each pay

period and mail it in to your account. If you cash your paycheck, take out your targeted amount and deposit the money before it gets spent. Once the account is open, you can make small deposits year round, eliminating the Christmas Crunch next year. Consider working some additional hours. Prior to, and during the holiday season, many businesses will be hiring extra help. This is a good opportunity to pick up some extra hours. Be sure to set aside any money saved so it doesn't slip through a hole in your pocket!

Remember that a dollar a day, keeps the creditors away. Don't forget the 'Tuck \$1-Per-Day-Into-an-Old Sock' method. If you have 110 days left, you'd have around \$110 at \$1 per day. Tucking away \$2 per day will find you \$220. \$330 for \$3 per day.

Take advantage of after Christmas Sales. Make arrangements with your family and friends to exchange gifts on New Year's to take advantage of after-Christmas sales? You can often get merchandise at half the price just a few days after Christmas.

Re-think Buying Gifts This Year. If you have had a rough year financially and owe on your credit cards, consider not buying gifts this year. You can save up money as if you were buying gifts, but use it instead to pay extra on your debt. Can you think of a better gift for your family? You'll be surprised how much better you'll feel giving down the road, when you can truly afford it.

Get creative and imagine that you had no job. Ask yourself what you would do for gifts? Would you make your own? Send cards only? Email cards? Brainstorm some unique alternatives.

Above all keep in mind the original intent of the holiday celebrations. The spirit of the season can be lost in the newly added debt and additional stress created by copying what others may be doing. So get started, and put your strategy in place. Your success will have you ready and able to pay upfront for next year's holiday too!