

December 2024 Issue

'Tis the Season for Saving: Healthy Holiday Spending

American consumers plan to spend an average of \$1,014 on holiday gifts this year. While individual spending may vary, we all feel the temptation to go over budget on gifts for friends and family during this time of year. Overspending can not only hurt our financial well-being, but it can also contribute to emotional distress and even increased health risks.

Overspending is often related to nostalgia. We remember the special holidays we experienced as children and want to re-create those warm feelings and memorable experiences for our children or grandchildren. Seeing their joy helps us relive our wonderful childhood memories. Giving generous gifts that delight our friends and family also brings us joy. And if we're honest, we sometimes get caught up in trying to match the level of gift-giving of our friends, co-workers, and neighbors.

But creating great holiday experiences and memories doesn't require us to end up in financial distress later! Learning to tame your spending triggers around gift-giving can help you start the New Year in strong financial health.



Here are some tips:

1. Start with setting a realistic spending limit for your holiday gifts, then decide how to allocate it for each person on your list. Track your spending as you buy gifts, to keep it in line with your plan.
2. Our financial decisions are strongly related to our emotions, especially when we get caught up in nostalgia or excitement. Try to make decisions using a balance of "heart and head" rather than just acting on emotions.
3. Consider smaller, meaningful gifts and experiences. A heartfelt card, a picture from a memorable event, or a fun shared experience often means more than a gift that may be more expensive but easily forgotten in a short time.
4. Be open to something new. Friends might decide to stop gift-giving to focus on a lunch or dinner out together. Large families may decide to draw names or do a "White Elephant" event. Office groups may decide to donate to a charity or adopt a family in need at this time of year.

5. Don't be afraid to stop giving gifts to people if it has just become a habit or obligation. Tell people in advance that you've decided to simplify your life in this busy season. You may be surprised that they will be relieved to simplify things as well!
6. If you tend to buy yourself some gifts as you are shopping for others, put a spending cap on that as well so that you don't sabotage your budget.
7. Remind yourself that you really can't buy love! Gifts are often quickly forgotten, but heartfelt, meaningful time spent together can bring joy and lasting memories.

New Year, New Me: Kick off the New Year with Financial Health

Getting in good financial health is not that different from building our physical health. This year, resolve to take ownership of your financial well-being with these simple strategies:

1. Create a plan! Even if you hate math, free budgeting apps make it easy to create a simple plan that will help you achieve your financial goals. Search online or see if your bank or credit union offers a budgeting app.
2. Understand where your money goes. Try tracking every purchase and expense for a month to get a realistic understanding of how you use money. Credit card and bank statements can help you identify and organize expenses into categories. Use this information to refine your budget and shape your financial decisions to reflect your priorities and needs.
3. Think of yourself as a small business, focusing on creating income, keeping expenses and debts low, and maintaining your income stream. This analogy can help you turn a profit, instead of ending up in the red.
4. Pay yourself first! Create an auto-pay system to have money deducted from each paycheck to put into savings. Many financial crises can be avoided by having an emergency fund. Experts suggest building a nest egg that can cover 3-6 months of essential expenses, but any amount that you can save can help you weather financial storms.
5. Take advantage of the power of compounding by saving for retirement early in your career. A few dollars set aside from every paycheck when you are young can grow substantially over 40 or more years.
6. Resist large impulse purchases which can derail your longer-term plans; hit the pause button for a couple of days and then re-evaluate, before opening your wallet.

With strong financial health, you can reduce stress and anxiety, be prepared for unexpected financial challenges, and achieve your larger financial goals!

For further reading:

1. [U.S. Consumers Plan Generous Holiday Spending](#)
2. [Consumer Financial Protection Bureau](#)
3. [The Link Between Health and Financial Well-Being | Columbia University Irving Medical Center](#)
4. [Tips to Avoid Overspending on Gifts This Holiday Season | Spending | U.S. News](#)