

# ***CREATIVE* Ways to **Eliminate** Holiday **Debt****



## Table of Contents

Introduction.....	3
Figuring Out How Much You Owe.....	5
Creating A Budget .....	6
Strategies For Saving Extra Money.....	9
Cable	
.....	9
Beauty	
.....	9
Coffee	
.....	10
Magazines	
.....	10
Food.....	10
Other Ways to Save.....	11
Credit Card Strategies.....	14
Finding Extra Money.....	16
Seeking Outside Help.....	17
How To Prevent Future Holiday Debt.....	18
In Conclusion.....	22

# **Introduction**

Holidays are a time of spending it with friends and family, giving and receiving gifts, traveling to and fro, taking time for rest and relaxation, and basically having a good time while enjoying the holiday spirit.

During the holiday season, much time is spent shopping for just the right present for each person on your list. If there are many presents that need to be purchased, things could get out of hand and gift buyers can easily sink into something called “holiday debt.”

Holiday debt is when a person has gone over and above what they should have spent on the holidays during the shopping season and now find themselves having difficulty paying off the credit cards and making ends meet.

Holiday debt incurs when, instead of creating a budget or using cash, the shopper puts all of their purchases onto credit cards. Many people overspend during the holiday season without even realizing it.

One might not think that getting into debt once a year is a problem, but once people are in debt, some have a hard time getting out of it. Plus, once they get out of it by say September, the next holiday shopping season has begun and they are back in the same boat a few months later.

Once this becomes a problem, it can cause strains on family life. A spouse may have to take on another job to help pay off the debt. This will reduce the amount of time the family has to spend together and can also cause resentment.

Worrying about the debt also puts a strain on family life and the debtor's health. Stress causes high blood pressure, anxiety, and depression.

Holiday debt is a serious issue, but there are ways to tackle the problem before, during and after it starts. Simple planning and thinking ahead can lead to a very peaceful and happy shopping season.

## **Figuring Out How Much You Owe**

Come January, the holiday season comes to an end and people start getting back into a normal schedule. And then the bills start to arrive in the mail. Now that all the various credit card statements are in, it is time to sit down and figure out how to tackle this holiday debt and get your head above water.

The first step to finding a way out is to figure out exactly how much you owe. An easy way to do this is to sit down with all the different bills that have come in, and on a piece of paper or in a spreadsheet program such as Excel, write down each credit card and the balance owed on the card. Next to that, write down what the minimum payment is and when it is due.

When paying back debt some people prefer to start by paying off the card with the lowest balance first. Paying off these smaller debts and crossing them off the list gives people a real sense of accomplishment and acts as a motivator to pay down the larger debts.

Once a person has finished paying down one debt, they can use the money they were paying on that debt and put that amount towards another card to get the next debt paid off even faster.

If you created your list in an Excel program, it will be very easy to sort the debts from low to high. If you wrote them down on paper, you can simply reorder them on another sheet.

## **Creating A Budget**

Once a person knows how much they owe, they will be able to create a budget and a plan of what they need to do to get the items paid off. In order to pay these bills off, budgeting plays a key factor.

Creating a budget will make it easier to see where some things, such as a Netflix membership, can be put on hold for a few months in order to pay down a certain debt.

On a side note, this is not the time to get behind with any payments. When a person is late on a payment, their credit history can be affected for years to come. Making a budget, and sticking to it, can help prevent this from happening.

The first step is to write down the monthly income. Next, write down the monthly expenses. This is where people tend to get overwhelmed and start panicking. Not only do the credit cards have to be paid, but the electricity, cable, phone, Internet, school activities, car insurance, car payments, field trips and more have to be paid as well.

None of these items need to go into default, so developing the budget is important. Not only does the budget have to be created, it has to be followed or the entire process is worthless.

There is no need to get discouraged at this point. Take a deep breath and look at it all again. After all these items are written down, figure out what needs to be paid when and make sure you have enough to cover it.

If a person is paid twice a month, write down those dates and write down underneath it which bill needs to be paid with that check. It is important to plan ahead. If a payment is due at the end of the month, be sure to pay for that with the middle of the month check. Do not try to stretch it out and wait. The goal is to pay the bills and be on time.

If there's a deficit, meaning there's not enough money to cover all the bills, then think about ways certain items could be cut. In other words, what bills could be reduced to help pay for other bills that are due?

Is it really a necessity to have every cable channel? What about all those movie channels that are never watched? Cutting expenses in certain places can help to free up funds to cover the cost of the credit card bills. It can also help to establish savings for future purchases as well.

Once a budget has been established, it is important to stick to it. If a person is not careful, they could easily overspend again and fall further into debt.

To help keep them on track, some people find it helpful to carry a small notebook with them and to write down their purchases, whether they are made with cash, check or credit card. Tracking expenses, even small cups of coffee, can help people see where their money is going and make it easier to identify what things can be gone in order to pay off debt and save for the future.

Some people feel that using the jar or envelope system makes it easier to see where their cash is going. With this method, a person creates different envelopes for different bill categories, such as groceries, cable and electricity. Each week, put your budgeted amount of money for that category into the jar or envelope.

When the bill comes, take the exact amount out of the envelope or jar and pay the bill. At the end of the month, whatever extra money is left in the jars or envelopes needs to be applied to one of the credit card bills.

As you work with your budget, you might be surprised at how much extra money you are able to put towards your bills. Do not get discouraged if you run into a few kinks along the way. It is okay to sit down and reconfigure your budget to make it fit your needs.



# Strategies For Saving Extra Money

If you are finding it a bit difficult to stay within your budget or want to find some ways to cut costs even further, here are some tips on saving extra money:

## ***Cable***

- One of the easiest cuts to make to a budget is cable television. If you currently have digital cable, consider downsizing to a regular cable box for a few months. Simply making a call to the cable company to check if there are any special deals can help as well. There may be a new promotion on a movie channel that they could offer you for six months or so.

## ***Beauty***

- Instead of going to a spa or a salon, try giving yourself some at home beauty treatments. It is relatively easy to give yourself a pedicure and manicure, so why pay top dollar at a salon?
- With the new technology in home hair color, you no longer need to be a licensed cosmetologist to achieve good results. If you don't want to mess up your highlights, you can at least try stretching out your salon appointments by touching your roots up at home.

## ***Coffee***

- If you are a coffee addict, giving up your daily latte and making it at home could save you around \$4 or \$5 a day.

## ***Magazines***

- If you subscribe to any magazines and find that the newest issues comes before you have had a chance to read the previous issue, consider canceling the subscriptions.
- Even if you do read them regularly, consider canceling anyway. Chances are, you can borrow the same magazines from your local library.

## ***Food***

- One way to easily save money is to stop eating out. Instead of spending the money on take out, set an amount to spend on groceries and eat at home.
- To pay the credit cards even faster, use the extra money that was normally spent on eating out and apply it towards the credit card balance.
- Once it has been decided to only eat at home, there are ways to save extra money grocery shopping so you can put the extra towards your bills. Using coupons is a start, but you will have to

double check to see if using coupons is really saving you money. Bring a calculator and figure out which is cheaper, buying name brands with coupons or buying generic. Yes, it might make the shopping trip last longer, but the feeling of getting a good bargain is much better and longer lasting.

- Check your store's weekly ad to see which items are on sale before going to the grocery store and make a list of weekly meals based around what is on sale.
- Next, check the cupboards and see which items are needed to make the meals for the week. Create a grocery list of the items needed for the weekly meals and only buy the things that are on the list.
- It is a good idea to have a snack before you go to the grocery store. Studies have shown that a person will buy less impulse items if they have already eaten.

### ***Other Ways to Save***

- Another way to save money is to take a look at your current financial institution. Do they charge fees for using the account? Do they charge annual fees or charge a fee for using the debit card assigned to the account? If this is the case, consider switching to a bank or credit union.

- If possible, consider consolidating different services that you are currently paying for. For example, your insurance company will give out a multi-policy discount if you have both your car and house insurance through them.
- You may also be able to use the same company for your Internet, phone and cable. If the company offers a group discount on these services, you could save hundreds of dollars a year.
- Some water companies or electric companies also offer discounts if payments are made on time, which may be in the form of a bonus at the end of the year.
- Is it possible for some members of your family to take public transportation or carpool? Riding a bike is good on the pocket, but is also good for a person's health as well as the environment.
- The next time you need to make a purchase, consider purchasing used items, which can easily be found on eBay.
- Consider trading movies and CD's with friends instead of purchasing new ones.
- Consider swapping books as well. There are plenty of book

stores which allow you to bring in used books for store credit.

- Again, your local library can be a source of free books, movies, and CD's. Just remember to return them on time or you will have to pay fines.
- If it is possible, turn off the air conditioning and open a window to save on electricity in warm weather months.
- Buying energy efficient light bulbs is another way to save on electricity each month.
- If you have a large car payment, is it possible to trade in the car you have for a vehicle with a lower payment? Or perhaps you can buy a used vehicle outright? By doing this, it is possible to save anywhere from two hundred to six hundred dollars a month, depending on how much your current payment is.

## **Credit Card Strategies**

Now that the budget has been established, it is time to work on creating a pay down plan for your credit cards. A pay down plan is creating a feasible way of lowering the credit card balances down to zero.

As we mentioned earlier, one way of doing this is to pay on each card, but pay a little more on the smallest balances to get them cleared away first. Once that card is paid off, take the amount that was being paid on that card and apply that same amount each month to the next lowest credit card balance.

That will double or even triple the amount that was being paid on that credit card and it will take less time to pay that card off. Continue this process until all the cards are paid off. In the end, the last card might be paid off in just a couple more payments and then it is all over.

Another way of looking at the pay down plan is to look at the interest rates on each card. Sort the credit cards with the highest interest rate first. All the minimum payments get paid on each card, but all the extra money saved from cutting your extra expenses goes towards paying extra on the card with the highest interest rate. Continue in the same fashion as mentioned earlier until all the cards are paid off.

If you are going to be making a major purchase in the near future,

such as a car or house and need to keep your credit score in check, you may want to begin paying down the credit cards which have balances are over fifty percent of their credit limit.

When creditors look at your credit report, they tend to look at the percentage of debt you have versus your available credit. When you have several cards that are close to their limit, that might appear as a red flag.

Another way to help the balance on the credit cards to go down is to call the credit card companies to see if they can lower your interest rates. This needs to be done now before you get behind with any payments. It will not look very good if you miss payments and then call them about lowering the interest rates. Take this step before you get in over your head.

If the credit card companies are unable to completely lower the interest rates, speak with those companies about consolidating two or more credit cards onto one. It may be possible to transfer balances from a higher interest card to a lower interest card. That can save a person hundreds, possibly thousands of dollars a year on interest alone while paying down the debt.

# **Finding Extra Money**

There are also ways of finding extra money that can help to pay down debt even faster. Some of these involve a little bit more penny pinching or sacrifice, but it could be worth it if having a zero balance on your credit card statement is important.

- If you live in the U.S., tax season runs from January 1 through April 15, and if you happen to be getting a refund, you may want to consider taking that money and putting the entire amount to one or more of the credit card bills that are due. That will eliminate debt rather quickly.
- Going through the house, sorting out unused items and selling them on eBay is a very easy way to find extra money.

Another way to find extra money is by earning it. This does not have to be a form of punishment. There are many fun part time jobs out there.

- If you happen to be a people person and enjoy sales, joining a direct sales company can help you earn a little bit of extra money by holding home parties a few nights a week or on the weekend.
- If leaving the house is an issue due to child care, there are many



jobs you can take on right from your own home. Many companies are now offering telecommuting positions, and you can find these jobs performing Google searches, visiting job boards such as [www.justonlinejobs.com](http://www.justonlinejobs.com) as well as work at home message boards.

- You can also turn your own talents into a side business. Happen to enjoy baking? Sell cakes for birthdays, holidays and more. Enjoy photography? Offer to take photographs at your friends events for a fee.

## **Seeking Outside Help**

If all this seems very overwhelming and you feel the need to have someone walk through this with you, consider contacting a debt counseling service.

They are out there to help you with your budget and can help to lower the bills as well by talking to the credit card companies for you. They will hold your hand and help you to take the action needed.

While the credit counselors are there to help, they will expect you to help yourself as well. Do not think they will physically take care of it or even take care of it financially. There are still things you will have to take care of, they are there to guide you along this path to financial freedom with debt free living.

# **How To Prevent Future Holiday Debt**

Many areas have been discussed regarding taking care of holiday debt that has already been created. Good news is once the debt is gone, there are ways to prevent it from recurring again.

The objective being, of course, is that once the debt is gone, try not to create it again. Keeping it from haunting your life is the goal. So how does a person go about preventing future holiday debt?

Simply changing your mindset is a huge start. Many people have grown up with the notion of “buy now, pay later.” This type of mindset has to be changed. Stop and retrain the brain to think “buy now, pay now.”

Holiday debt cannot occur if nothing is put on the credit cards to begin with. Instead, use cash for your purchases. If there is no cash to buy an item, then the purchase will have to be put off until later.

One good way to think is if the money to purchase it is not here today, come back in a few months when the money is there and see if this is an item that you still want to purchase. More than likely the moment will be over and you will not want the item any longer.

Instead of trying to find the money to pay for all of your holiday items at one time, consider putting some money into a special savings account throughout the year.

Many banks and credit unions have these type of holiday accounts where money is taken out of your primary account and deposited automatically into the special account and can not be taken out until a certain date. This money sometimes earns a little higher interest so a person can make money on their savings.

Before the holiday shopping season even begins, sit down and figure out who exactly needs to be bought for. Will there be family gatherings where everyone exchanges a gift or will gifts be bought only for children?

Once you have a list, set a budget to spend on each person and function. For example, five hundred dollars might have to be divided between each person.

Take a look at how many people are immediate family and how many are friends and extended family. Typically, people spend more on their immediate family and less on extended. Take that into consideration as well.

With all the names written down with a gift budget beside each name, start thinking of gifts that the person may want that fit the budget.

It is easier to go shopping with a list, rather than going shopping blindly. That is how loads of presents are bought and overspending begins. Once the presents have been bought, mark that person off

your list as completed so they will not have anymore gifts bought for them. Not only does this keep a person from buying more than is needed, but they can have a sense of accomplishment of having marked people off their list.

No one ever said that holiday shopping had to begin in November. Try creating your list in the beginning of the year and shopping throughout the year as items go on sale. Simply put the item into a spare room or closet until it is time to wrap it.

If your extended family members and friends agree, you may want to consider throwing out the idea of buying a gift for each person and having a one person gift exchange instead. Each person who is planning on attending the party draws the name of one person, and that is the only gift they have to buy for that particular party.

Another way to avoid holiday debt is by giving homemade gifts. Not only are they cheaper, most of the supplies can be bought in bulk, but it is more personal as well.

One idea is to create a different ornament each year and give those out as gifts. You can find directions online for quick and easy to make ornaments. People tend to treasure these and look forward to receiving each years' new edition.

Aside from ornaments, other homemade holiday offerings could include cookies and other edible treats, scrapbooks of photos taken

throughout the year, as well as pampering gifts such as handmade soaps and candles. Just remember to give yourself enough time to complete the projects and to start early!

If you need to travel during the holidays, planning ahead can save you a lot of money. Set the dates for air travel sooner than later and buy the ticket(s) early. The earlier the ticket is bought, the better the deal. Do not wait until the last minute! The prices go up steeply the closer to the date of flight and chances are, the flight will be at obscure times that are very inconvenient.

The goal with travel is to plan accordingly with the certain situation. Consider all the costs of flying versus driving. Sometimes the price for a few tanks of gasoline is cheaper than roundtrip airfare.

Budget time wisely when it comes to driving and bring cash to pay for the gasoline and food for the trip or any hotel stays. If possible, bring food with you to avoid paying for overpriced meals at airports or roadside restaurants.

All these steps are great ways to help keep future holiday debt from creeping up and hitting the shopper in the face. Experiment with them to find ways to make it your own.

## **In Conclusion**

It is important to remember that eliminating holiday debt is a process. It is not something that can be done overnight. In fact, it may take several months.

Whenever you get discouraged or feel overwhelmed, visualize how it will feel to be debt free. That visualization can also help to keep future debt from occurring.

By creating a budget and sticking with it, finding ways to both save and earn extra money, and arming yourself with a plan to avoid future holiday debt, you will be on the fast track to peace, rest, and relaxation during future holiday seasons.