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Give yourself a holiday present by planning your spending now

By Neal Frankle, Neal@WealthResourcesGroup.com
September 10, 2006

I'm sad to be the one to break it to you, but holiday shopping season is almost here. Yes, I know it's a special brand of torture, but with a bit of planning and foresight, this year it can be (almost) painless.

Think of it as a military operation. To complete your mission, you have to spend time and money, and a little planning now can mean you get it done with the least possible expenditure of both.

Step 1

Right now, take out your calendar and allocate an hour later today to make a list of who'll get gifts from you this year. Schedule it now. If you don't do this as soon as you finish reading this article, it probably won't happen. And if you don't get this done, you'll get wiped out by the enemy.

Step 2

This week, come up with a spending cap for what you're willing to shell out this year. Depending on who you ask, the average American household spends more than \$800 on holiday gifts yearly. In my book, that's a significant enough number to warrant making it a budget item. Whatever your amount is, it's critical to have a spending plan before you buy anything.

Step 3

With your budget in mind, review the list you made in Step 1 and jot down how much money you feel comfortable spending on each person. Next to that amount, list a few ideas for items you can purchase for that amount or less. You can do some comparative shopping online to determine approximate prices. Then do the math and make sure that the grand total does not exceed the number you came up with in Step 2.

Step 4

Ensure you'll have enough cash. Only spend money you have. The best way to have enough for your holiday shopping is to start saving now. If you need \$750 three months from now, you'll need to cut your spending by \$250 each month, starting today. Consider staying away from high-priced coffee joints, and don't go out for dinner quite as often. Whatever you have to do, do it. Write down how you are going to save the money you'll need for shopping, then have the discipline of a drill sergeant getting it done.

If you don't, you could create credit card debt, which is very poor plan indeed. 'Tis not the season for financial folly! But if you insist on overspending (relative to your financial resources), please refrain from using your credit cards to finance these purchases. Even though many credit card companies will try to entice you by allowing you to skip a payment, in most cases, the interest clock is still ticking, so you'll end up paying huge interest charges. Please don't use credit

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cards to finance your holiday purchases.

I believe that if you care enough to buy a gift for someone, that person should care about you, too. Most people would probably prefer that you buy them something inexpensive or just a card rather than have you go into debt. Feeling like you can't give something great that's inexpensive? Remember that the best gift is love. Consider creating personalized gifts or giving someone a certificate worth a night of free baby-sitting or doing the dishes or vacuuming.

Or think about getting together with everyone on the list and deciding to draw names for gifts rather than buying one for each person. Let's be honest: Can you even remember the last great gift you received from somebody? Probably not. Most gifts are nice tokens of someone's esteem and those tokens take up lots of space and usually collect lots of dust in the closet (unless you're a practitioner of the fine art of re-gifting). Think of all the benefits of drawing names: everyone saves money, everyone saves time, and everyone saves space in their closet rather than filling it up with nice but useless gifts.

Step 5

Let's go shopping. First stop: your computer. Look online for the best price (including shipping and sales tax). Remember, even if the item costs the same online as it does in the store, by shopping online, you save lots of time plus wear and tear on your car. Also, if you stay out of the store, you'll insulate yourself from the lure of impulse buying.

So there's your battle plan. Plot your invasion. Use your resources wisely and ration your supplies if necessary. Consider a stealth attack, where the enemy doesn't even have a chance to see your face. Who says the art of war can't be applied to shopping?

— Neal Frankle can be reached via e-mail at Neal@WealthResourcesGroup.com. He is the author of "Why Smart People Lose a Fortune: 5 Steps to Restoring Your Wealth and Sanity." He helps affluent clients establish and implement a safety-net strategy to protect their wealth.

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