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Julie Halpert
The Fiscal Times
November 11, 2013

Last year, Carly Fauth spent more than \$1,000 on holiday purchases, including \$300 on a bike for her then three-year-old son, \$250 for concert tickets and \$200 on a ski jacket for her husband. Despite her goal of keeping her purchases to a reasonable limit, "I got all caught up in spending," says the 35-year-old marketing director from Milford, Mass. "Then when all was said and done, and I realized how much I spent, I felt overwhelmed by the cost."

This year, she's trying to stick to a \$500 budget but doubts she'll be successful. One reason she struggles to rein in her spending: Her friends and family spend a lot on her – her parents bought her a \$600 television one year – and she feels guilty about not reciprocating. "It seems there's an expectation that people spend a lot on holiday gifts."

Fauth's story is not unusual: This year Americans plan to spend an average of \$1,014, a 20 percent increase over 2012, according to an [October survey by Discover](#) [4]. But not everyone can afford that type of spending – and more than a quarter of shoppers blew their budget last year, according to [a report by online coupon site RetailMeNot](#) [5].

One reason for overspending is that consumers often don't take into account the extras that quickly add up, like wrapping paper, stocking stuffers, postage costs and accessories, says Kit Yarrow, a consumer psychologist at Golden Gate University.



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Parents are particularly vulnerable, with visions of seeing their child's eyes light up after unwrapping an extravagant gift on Christmas morning. But Yarrow points out that those few minutes of happiness quickly pass, while the debt that's incurred from pricey purchases is long-lasting. She urges consumers to resist the temptation to spend more than they can afford.

More than half of parents with children under 18 would be willing to take on debt to keep their children happy during the holidays, according to a survey released this morning by Lexington Law. Yarrow urges consumers to avoid this trap, which can have consequences for months or years after the holidays. "There's nothing you can buy that will give your family more pleasure than a happy you," she says. "And you're not happy when you're in debt."

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Follow these steps to make sure you don't suffer from a post-holiday financial hangover come 2014.

1. Create a budget. Once you've figured out how much you want to spend in total, break down how much you'd like to spend on each person on your list – and have that list with you as you shop. "When you have something real and static to look, you can't kid yourself about what you had in mind," says Lynn Ballou, a managing partner with Ballou Plum Wealth Advisors.

2. Trim your list. If your family is large, consider scaling back your gift list considerably and perhaps purchasing gifts only for the kids. Or do a gift swap in which everyone is assigned to buy something for just one person.

3. Don't worry about keeping up with the Joneses. It's too easy to blow your budget that way. Instead, remember why you're buying gifts in the first place. "The purpose of the holidays is to show your appreciation and celebration, not to prove you spent the most money," says April Masini, a money and relationship expert.

Related: Holiday Hiring More Ho-Hum Than Ho-Ho-Ho [7]

4. Model smart financial habits. Show your kids that you can celebrate without going overboard financially. "Kids raised to understand that and internalize it are far more likely to manage their own fiscal lives well," Ballou says. Consider giving your kids the choice of several small gifts, one large one, or an experience for the whole family to enjoy, like a vacation or dinner out at a fancy restaurant.

5. Put technology to good use. Using a [few key shopping apps](#) [8] can mean big savings at the register. Two must-haves: RedLaser, which allows you to scan an item and see if it's available anywhere else for a better price; and CouponSherpa, which downloads usable mobile coupons directly to your phone.

6. Shop with cash. Multiple studies have found that consumers who pay for items

with a credit card tend to spend more than those who pay with cash. A study looking at this so-called "credit card premium," [published last year in the *Journal of Consumer Research*](#) [9], found that shoppers paying with plastic hone in on the benefits of the purchase, while shoppers doling out dollars think about the cost.

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