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Create a holiday spending plan

By CINDY RICHEY

What's the biggest financial concern for most people every January? You guessed it – getting out from under the holiday bills. It's wonderful to give and receive but it often creates post holiday stress.

You can ease this by planning in advance. Use the following ten-step plan to help you manage your expenses.

First and foremost, create a new mindset. While most people use the term “budget”, a budget makes you think of limitations and denial. Change your vocabulary and your mindset by calling it a “spending plan” – a proactive strategy for choosing how you spend your money.

Use the following ten-step plan to help you manage your expenses:

The 10 Step Holiday Spending Plan

1. Determine a dollar amount that can come from current cash flow or from your holiday savings account. Never plan to charge any holiday gifts to a credit card that cannot be paid off in full with your next monthly billing. Note this amount on a sheet of paper.
2. Create a list of everyone that you plan to remember with a gift.
3. Brainstorm gift ideas. Will you buy one large gift, several smaller gifts, or make something yourself? Think about your own favorite things and gifts you've enjoyed most. Look through magazines, books and websites for ideas. Get creative.
4. Next, write down your best ideas for each person. When you start shopping, this list will help you choose something meaningful. You'll also avoid the trap of overspending on certain people. Another bonus: You'll save time.
5. Estimate the cost for each person and add up the total.
6. Then, make an estimate of the costs for purchases of holiday decorations, parties, hostess gifts, and gift wrapping.
7. Add up all of these projections and compare it to your initial dollar determination.
8. The most challenging step is next. Go back and make adjustments if you are exceeding the target of your “spending plan.” This may be very difficult, but it's the most important step.

Remember, your plan will save you a lot of stress in January.

9. Now you're ready to shop. Take your list with you and write down the actual cost next to the estimated cost. Sub-total as you shop. You may change your mind about what to buy, but stick to your overall spending plan. If you get a bargain — don't feel you need to spend more on that person. They'll never know. Chances are something else on your list will cost more than what you planned.

10. When you're finished and you've paid off all bills, immediately create a holiday spending savings account at your bank with a monthly systematic deposit.

The Money Matters column is written by members of the Financial Planning Association of Greater Kansas City.

This week: Cindy Richey, CFP® (cindy@prosperityplanninginc.com), President of Prosperity Planning, Inc. in Kansas City.

