



Financial Planning

Walking The Line Between Scrooge And Santa

Scott Reeves, 11.23.05, 6:00 AM ET

NEW YORK - Here's how to prevent dreams of the Sugar Plum Fairy from becoming a nightmare when the credit-card bill arrives: Develop a holiday spending plan.

Drafting a budget is just the first step. The second is the real crusher: sticking to the spending plan.

"Many people fail to put together a straight-forward plan--how much to spend and what type of gifts to buy," says **Steven B. Smith**, president and chief executive of financial software firm In2M and author of *Money for Life: Budgeting Success and Financial Fitness in Just 12 Weeks*. "If you develop a plan and track spending as it takes place, your budget will be successful. But without planning or tracking, most people just take out the credit-card and it's a disaster in January when the credit-card bill comes in the mail."

Smith offers these spending tips to holiday shoppers:

Write A Budget: Determine how much you can reasonably spend this year. Then decide how much you can spend on each person on your list--not the other way around. Don't forget sales tax, and be sure to set aside something for decorations, parties and other expenses.

Track Your Expenses: Write down what you've spent daily using a spreadsheet, a paper-and-pencil ledger or even the back of an envelope. If you wait until the credit-card bill arrives in January to see how you've done with the budget, you'll almost certainly overspend.

Payment Deadline: Remember that interest rates on credit-cards will eat you alive. If you charge \$800 for gifts and make only the minimum payment each month with an 18% interest rate, it will take about 11 years to pay off the debt. That sends the cost of each gift through the roof, not to mention punching a hole in next year's plans. So, plan to pay your holiday expenses off quickly. Remember: Many credit-card companies have shortened their collection cycles, making it easier for you to get stuck with interest for missing the due date. Payment in full will save you money and burnish your credit rating.

Cut Back Where Possible: Here's a basic lesson to teach your kids: You can't have everything. The flip side is that some adults need to learn that they can't get something for everyone. So, trim back your gift list when possible. A card is appropriate for distant relatives and most friends.

Zap An E-Card: Save a tree (and postage) by sending an e-card. Kids love 'em because many are interactive, animated and accompanied by sound or music. You don't have to worry about the card arriving late. The clincher for holiday shoppers on a tight budget: Many Web sites offer free cards.

Shop Online: If you shop online, you'll save time, gas, maybe avoid a few dents in the parking lot and won't risk your sanity by becoming a shopping mall crusader and doing battle with hordes of lunatic shoppers. Many online retailers offer free shipping with a minimum purchase, and you're likely to save on sales tax. If you plan to send gifts to out-of-town relatives, buying online also saves you a trip to the Post Office with its endless, slow-moving lines.

Make Your Gifts: If you have the skills, a wooden push toy or a handmade teddy bear will mean the world to a small child. For adults, consider something like framing an old family picture or refinishing a favorite piece of furniture. While your burgeoning gut doesn't need it, chocolate-chip cookies can't miss. Homemade gifts will save you money.

There are many financial Web sites that offer tips on the wise use of credit, including Lending Tree, a division of **IAC/InterActiveCorp** (nasdaq: [IACI](#) - [news](#) - [people](#)), and major banks such as **JPMorgan Chase** (nyse: [JPM](#) - [news](#) - [people](#)), **Bank of America** (nyse: [BAC](#) - [news](#) - [people](#)), **Citigroup** (nyse: [C](#) - [news](#) - [people](#)) and **Wells Fargo** (nyse: [WFC](#) - [news](#) - [people](#)).

Don't let the pressure of holiday shopping get you down. Take time out to do something with the kids-- ice skating or a Christmas movie, for example. Or make a cup of hot chocolate, sit in front of the fire and do nothing for an evening.

Take a minute and give to charity. There are many good ones serving different people and needs. Pick the one that suits you best. Someone, somewhere will thank you. Or take the time to help serve a holiday meal at a shelter or retirement home.

This is a good time of year, especially for kids. "The Nutcracker" is a delightful ballet for children. The Sugar Plum Fairy is a perennial favorite, especially for little girls who attend the performance in their tutus. Just remember that tickets aren't cheap, and it's another line on the credit-card bill if you say, "Charge it."