

Holiday Spending Is Getting Smarter, But You Can Be Smarter Still

The average American will spend nearly \$900 on holiday presents this year. If you have two adults in your household, that's almost \$1,800. The odds are good that you've already spent a good chunk of that on Black Friday, Small Business Saturday, and Cyber Monday specials. In looking at the sales numbers from the weekend, Americans are getting smarter about how they spend that money. Brick and mortar stores suffered about a billion-dollar decrease in sales from 2014, largely avoiding many of the big-ticket items that lure customers into waiting overnight in cold parking lot lines. Instead, consumers pushed online purchases to a record high of \$4.45 billion, roughly 20 percent more than last year. At the time of this writing, Cyber Monday sales had not yet been released, so we can't compare those.



In addition to this, sales numbers indicate earlier spending, more diversified spending and shopping carts that were more full at fewer locations. All of this points to people purchasing items they had selected before the big weekend sales, then spending less time browsing and far less time in the harsh winter conditions and occasional inhuman violence that only cheap electronics and toys can provoke.

Even with the transition to warmer, quicker and more pajama-clad shopping, the money being spent is astounding. The odds are also good that you don't remember everything you bought for the holidays last year, and even if you do remember what you were given, it probably doesn't add up to hundreds of dollars worth of things you still use. If you don't remember or use what you were given, the people who received gifts from you probably don't either. So why do we insist on spending so much of our hard-earned money on cheap plastic junk? Is there a better way to spend that money?

Yes, we're getting smarter about how we spend on the holidays. But let's set up a plan today to be in an even better position at this time next year.

Step One: How much did you spend or will you spend this year?

Consider how much you're going to spend this year. If you've finished your shopping, then you can use your receipts. Otherwise, you can estimate what else you plan to buy or just use the \$900 per person national average.

Next, add to that how much you'll spend in interest on credit cards while you pay off the balances. If you'd like to avoid the math, you can estimate that the total cost is \$1,000, because that's a nice round number for this exercise. If you'd like to be more exact, use our [credit card calculator](#).

Step Two: Putting away that money for next year.

To use this money as intelligently as possible, it's a good idea to save as much as possible ahead of time. That way, compound interest is in your favor instead of working against you. Start with one of our savings plans. A great option is our [Christmas Club](#), which offers great rewards along with easy automatic deposits. Another option is one of our money market accounts, which will pay a fantastic dividend if you're ready to put the money into savings today.

Step Three: Paying off this Christmas.

It's time to get those credit card payments down so we can move into the new year with a clean ledger. If you've got the extra income, pay them down with that, but we also know times are a little tighter for many of us. Luckily, your credit union has a variety of solutions for paying down credit card debt:

- Home equity loans are great for high balances, because they turn high interest credit card debt into low interest home equity debt. Also, if the Federal Reserve raises the prime interest rate early next year, you'll be protected by a fixed-rate loan. If you don't want all of the math, a [home equity loan](#) reduces the interest you pay, so you can pay off your loan more quickly.
- If you don't want a home equity loan, your credit card debt isn't that high, or you don't own a home, you could also consider one of our fantastic credit card offerings. We offer incredibly low rates, so you can transfer your higher interest balances onto a lower interest card, which will let you pay off the debt more quickly.

Step Four: Cutting costs.

Make a list of everyone for whom you've bought gifts and how much you spent or will spend. Then, go through and imagine what would happen if you got them nothing. Would life be worse? Would it be embarrassing? Do you really need to give everyone something? For those you feel an obligation to gift, keep them on the list for next year. For those you don't, send them a card. For anyone about whom you're unsure, how about a gift of home baked cookies? Simply cutting out a few people can save you several hundred dollars every year. Ask yourself: would I rather avoid a potentially awkward situation or have a new ... well, you probably know what you'd rather buy with several hundred dollars.

If you're worried about last minute awkwardness in case someone gets you something, there's a really simple solution: Buy a few cards, write a general inscription inside, sign them, and add a gift card to a big store you'd shop at anyway. Would anyone be upset at an Amazon gift card? Then, if you need it, you can write the name of the person in question on the envelope and hand it to them. If you happen to have any of these standby gifts left at the end of the holiday, the gift cards are yours to keep: call it profit.

Step Five: What will you do with your money?

At this point, you've paid off holiday 2015, and by the time holiday 2016 rolls around, you'll have saved more money than you need since you saved enough for this year but cut costs for next year. Interest has worked in your favor, and suddenly your next December is one in which your pockets will be full. That gives you 12 months to decide what to do with your money. Reinvest it in a savings plan, like one of our fantastic 529s for your kids' college education? Buy supplies to open that web store you've always wanted? Take a class or learn a language? Maybe your dog needs a little brother or sister.

Whatever you do, it's probably going to be better than that necktie you got for Bob in accounting this year, and it's all for you.