

Heading

KAUA'I BUSINESS REPORT

How to avoid the holiday hangover

This is the season to overspend. We know better, but we just can't seem to help it. But responsible financial behavior is no mystery. We all know we shouldn't spend more than we make and we need to save for the future. However, this knowledge is not enough to make the average American do the right thing when it comes to money, and things are just getting worse.

Credit card debt now averages over \$9,000 per household and Americans saved a negative 0.5% of their income last year. We haven't had a savings rate that low since the Great Depression!

While we are the wealthiest country in the world, a survey by the American Psychological Association found that two-thirds of us identify money as the number one stressor in our lives. This stress comes at a cost that goes way beyond

the money. Financial distress is linked to relationship problems, anxiety, depression, low self-esteem, work problems, and health problems.

Unfortunately we engage in some of our most destructive financial behaviors during the holiday season. In the coming weeks, Americans will make one-third of their yearly purchases and spend months trying to pay the bill. A survey of 895 respondents by the Consolidated Credit Counseling Services last month found that 44% of those surveyed were still paying off their debt from last year's holiday spending! If we are not careful, we will receive the unwelcome gift of the Holiday Hangover in January when we start opening our credit card bills.

It feels great to give gifts to others. However, if you are spending more than is reasonable for the holidays (e.g. buying things you don't currently have

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the money in your bank account to cover, or spending money earmarked for necessities) you are hurting yourself, your children, and your family's future. If you are feeling compelled to spend more money than you planned on gifts this holiday season, take some time to examine your beliefs around money. I refer to these beliefs as Money Scripts in my book *The Financial Wisdom of Ebenezer Scrooge: 5 Principles to Transform Your Relationship with Money*.

Money Scripts are those unconscious and often self-limiting beliefs around money we learn early in life that drive our financial behaviors. For example, many who overspend have Money Scripts like: "Spend it while you got it," "I will never have enough money no matter what I do, so I might as well have fun now," "I deserve to spend money, and my family deserves to have nice things whether we can afford it or not," or "You show your love for others by buying them expensive gifts." These types of Money Scripts, when left unexamined, can lead to significant overspending during the holiday season and other self-destructive financial behaviors throughout the year.

We come by our distorted beliefs about money honestly. So, begin your holiday shopping by making a list of all your beliefs about giving gifts. Spend some time examining what you have written and where you might have received these messages. Knowing what your Money Scripts are and where they come from can help loosen their grip on your life and enable

you to make healthy choices around spending.

If you recognize that you need to change your spending habits, don't wait until you have grown your debt by several hundreds or thousands of dollars this holiday season. Take an important step in changing your relationship with money by developing a reasonable spending plan for buying gifts this year.

I recently asked Steve Bucci, syndicated Debt Advisor columnist and author of *The Credit Repair Kit for Dummies*, his thoughts on what keeps people from addressing their overspending. According to Steve, the biggest barrier for people to tackle their excessive debt is getting past the feeling of being so overwhelmed that they don't know where to start. He says the first step is to stop buying on credit as you can never pay down debt unless you spend less than you earn.

With that in mind, for this holiday season, determine how much money you can spend before you start shopping. Then, go to the ATM and withdraw that amount. Use cash to make all of your holiday purchases. There is an emotional distancing that comes with a swipe of the credit card that doesn't exist when we are slapping down some hard cold cash at the checkout counter.

Here are some additional holiday financial survival tips from Consolidated Credit Counseling Services:

1. Make a plan. Make a list of who you will buy for and what you want to buy them. Leave yourself time to shop for the best deals.

2. Don't take your credit cards with you when you go shopping: People spend up to 30% more when they use credit cards to make purchases.

3. If you have a large extended family, consider drawing names out of a hat so everyone buys just one present.

4. Track your purchases as you are making them to make sure you are staying in budget. If you spend more money than you planned for one person, you will need to spend less on another individual.

5. The best gifts you can give those you care most about are memories. They never get old or break. If money is tight this year, put time into planning some novel, creative holiday experiences (e.g. cook something special together, tell stories, go on a family outing into nature, etc.). I suggest that you and your family members also consider adding 2-3 items on your wish lists this year that don't cost money.

Regardless of whether or not you are already burdened with excessive debt, set a reasonable spending limit this holiday season to avoid the Holiday Hangover. When the vacation's over, the toys are broken, and you open your mail in January, you will be happy you did!

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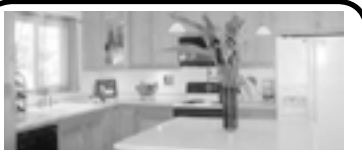
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