Money and You: The season of giving, Part I

by Carrie_Schwab_Pomerantz

It is the season of giving. In the next three articles, I'm going to talk about ideas for giving in every sense of the word - giving to our friends and families; giving the gift of knowledge (a gift we should all give more often to those we care about); and giving to charity. This week features the joys and dangers of present giving.

The old cliche seems even truer this year: Christmas comes earlier every year. The weeks between Thanksgiving and Christmas represent the busiest shopping season of the year, with retailers of every kind working overtime to convince us that the secret of holiday happiness is in buying and giving more. We all know, philosophically, the speciousness of that argument, but it's hard not to get caught up in the holiday frenzy.

Now I don't want to come off like Ebenezer Scrooge. Holiday shopping is fun, but don't let the spirit of the season wreak havoc with your finances. There's nothing worse than the post-holiday remorse you may feel when a flurry of credit card bills arrives in January. Here are some simple steps you can take to help approach the holiday shopping season prudently:

- Make a budget: Start by determining a budget for holiday shopping, a budget that's reasonable for you. Be honest with yourself about how much you can afford to spend, and don't feel pressured to give beyond your means. You don't want to break the bank just because it's the holiday season.

- Be cautious with credit cards: Credit cards are convenient and useful, but it doesn't help you curb the impulse to spend. Consider paying for your presents with cash. An eye-opening study at Massachusetts Institute of Technology confirmed that people are willing to spend considerable more money on a particular item when they pay with credit instead of cash. In a similar vein, be wary of store promos that will entice you to open yet another credit account with a one-time discount. Often these accounts carry a hefty interest rate, and you could find yourself left with a very expensive debt load.

- Think about shopping online. Some people are more prudent shoppers when they shop online. If window-shopping and crowded malls trigger your buying impulse, consider doing more shopping on the Internet.

- Make a list: Pair your gift list with your budget, and you'll have a good tool for making decisions. If your list is long and your budget is small, be creative. Baked goods are always welcome in the Schwab-Pomerantz household.

- Quality vs. quantity: This is old advice but it's good. "It's the thought that counts." A thoughtful, well-chosen present will always be received with gratitude and pleasure, no matter how much it cost. And when it comes to your kids, remember that most of them have plenty. Don't overdo it when shopping for the kids.

Cash can be a meaningful present; a gift of money earmarked for a larger purpose or a long-term goal can be a great present. Open a savings account or custodial account for your child as a way to get them involved with personal finance. One way to keep them interested and motivated is to match their future contributions to the account.

Create a college savings plan for a child or grandchild. Or perhaps you can jump-start the process of saving for a once-in-a-lifetime family trip that will create lasting memories. The point, I think, is to go beyond the usual gift cards or gift certificates, and instead contribute to a meaningful goal.

In essence, remember your priorities as you shop for the holidays and be true to them. Generosity is a wonderful thing, and if you have the urge, by all means act on it. But be charitable in a way that reflects your realities and values.

The goal of gift giving, it seems to me, is to acknowledge in a tangible way that you care about people. It shouldn't become an onerous duty or a financial burden, but a source of pleasure.

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