



Still paying for last year's Christmas purchases?

By Peter L. Way, Vice President of Wealth Management

What a wonderful time of year this is. Just think of it; special church services, gift shopping, family reunions, baked goods, gift shopping, caroling, holiday gatherings, and gift shopping. Also, did I happen to mention the gift shopping? Why, yes I did. I'm the finance guy so of course I'm going to talk to you about the proper use of your money.

Marketing departments across the globe are using this time of year to help retailers find a way to move as much money as possible from your wallet into theirs. There's nothing sinister going on here. You just need to be aware of the game that's being played. As in any game, there truly are winners as well as there are losers. The good thing in this game is that you actually get to choose which one you are.

Unfortunately, a large part of our population will spend much more than just the amount in their wallet. They will also spend money they don't have. Unlike the federal government, you can't issue bonds from your own personal treasury department as a way to float your debt. Instead, you'll need to utilize the generous resources of the credit card industry... and all the costs associated with them.

King Solomon, the recognized writer of the Bible's Book of Proverbs, makes the astute comparison of the relationship between creditor and debtor as being the same relationship played out between a master and his slave. Let's say you purchase an item on credit. Do you really own it? Or does it own you? It's the latter. The debt owns you to the extent that you can't move forward with your financial plans until the debt and it's associated interest costs are satisfied. Ask yourself, am I still paying for last season's Christmas purchases? If you raised your hand to the affirmative, you're not alone. Welcome to what has now become the American way of conducting commerce. It's unfortunate because this purchasing mindset has mortgaged our futures and is eroding the lifestyles to which we had hoped to achieve.

So what can you do to stop the cycle of Christmas season indebtedness? Quite simply, you need to budget for it. Is it too late to plan for the 2007 season? Maybe. However, it's also the perfect time to plan for next year. Take some time right now to create a list of the people for whom you wish to shop, and then determine the maximum amount you intend to spend for each of those folks. Let's say you record 40 names and place a value of \$25 on each one. You now know that you will need to save \$1000 for Christmas 2008. Now break the big number down to the smaller segments matching your pay periods. For example, if you get paid weekly, set aside \$20; if monthly, then set aside \$90. You may want to add an additional sum to your total in case you get a surprise holiday visit from your Uncle Jess and Aunt Esther. After all, you wouldn't feel right excluding them on Christmas morning, would you?

What a wonderful time of year this is. Just think of it; special church services, gift shopping, family reunions, baked goods, gift shopping, caroling, holiday gatherings, and gift shopping. Ah yes, gift shopping. Except now, you're no longer somebody else's slave. You've, instead, become the master of your own circumstances. Game won. Merry Christmas!

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