

Holiday debt

Overindulgence is often a popular theme during the holiday season – too much food, too much drink and too much spending. Over spending at the holidays can easily push you into serious and troublesome financial situations, or aggravate existing debt problems.

This season plan ahead to make your debt more manageable and your holidays more enjoyable!

Credit card pitfalls

Credit cards can present the illusion that we can spend more than we can actually afford. Here is why you should limit your credit card spending this holiday season:

- Gifts purchased with credit cards can end up costing more when you add in the months of finance charges you will pay.
- High balances carried on your credit card(s) can negatively affect your credit rating.
- Unexpected expenses or life changes can postpone your credit card payment plan lengthening your credit card debt and increasing your interest payments.

Tips on avoiding holiday debt

Once you have decided to manage your holiday debt this season, here are some ideas to avoid overspending.

1. **Save up.** Spending cash instead of using credit for your purchases will help to avoid debt. Put some money aside each paycheck and use that for your holiday shopping.
2. **Set up a budget.** Set up a spending limit and stick to it. Racking up more debt than you can repay will lead to trouble in the New Year as you struggle to figure out how to pay for those charges. Save yourself some future stress by only purchasing what you can repay in full when your bill comes.
3. **Hold a family meeting.** Discuss holiday plans and voice your concerns.
4. **Make a list.** Avoid splurging on gifts. Keep them simple and meaningful rather than expensive and useless.
5. **Use layaway.** Start shopping early and make monthly payments. It will take the stress out of last minute gift

buying and will not add to holiday debt.

6. **Do not shop for yourself.** Avoid “one for you, one for me!”
7. **Ignore “big” sales.** Falling for the “Buy 2, Get 1 Free” could have you end up spending more than you normally would.
8. **Leave your credit cards at home.** Without your credit cards, you will have a hard time charging them up.
9. **Do not buy if you cannot afford to pay.** Using your credit card means you are borrowing from your future income. Only charge what you can afford to pay off later.
10. **Consider shopping on-line first.** The Internet makes it easy to shop around and harder to buy on impulse. Since most retailers have inventory on their websites, you can decide exactly what you want to buy before going to the mall.
11. **Do not open new accounts just for the discount.** Retail stores may encourage you to sign up for their store credit cards and even offer a discount on your purchase.

Resist the temptation to apply for new accounts just to purchase more gifts. The inquiries affect your credit score and you risk charging more than you can afford.

12. **Do not let someone else holiday shop with your credit card.** If you loan your credit card to someone else, you have no control over how much they are spending on gifts.
13. **Do not leave your credit card unattended.** There is a lot going on during the holiday season. Your credit card is targeted more during this time of the year than any other time. Keep it close to you and never out of your sight.

After the holidays

If credit card debt over the holidays was unavoidable, put together a plan to get rid of that debt as quickly as possible. Some options could include:

1. **Tally it up.** A list of how much you spent on gifts, food, entertaining and other holiday-related expenses, will help you set realistic goals for paying it off and knowing, for future reference, how much your family spends on holidays.
2. **Payoff plan.** Decide on how much you can take out of your monthly budget to pay off your holiday debt. Keep in mind – you need to pay more than the minimum to make a dent in your credit card debt. A few temporary cutbacks in other areas now will help you pay off your debt faster.

3. **Temporarily stop credit card spending.** Set limits on day-to-day purchases until you can catch up from the holidays.

4. **Consolidate.** Take advantage of 0% transfer offers allowing you to pay off the debt over a longer period of time. Caution: Be aware of any transfer fees involved and the interest rate being charged after the promotion.

5. **Another source of income.** Consider temporarily taking a part-time job to help pay off debt. Be creative and turn a hobby into a side business. But be careful of easy cash business opportunities that are too good to be true – because they are!

6. **Pay off debt with bonus money.** Use your tax refund or bonus money to pay off debt before putting it into savings, making a large purchase or taking a vacation.

Consumers who fall behind in paying creditors may be contacted by debt collectors. The Federal Fair Debt Collection Practices Act prohibits debt collectors from using harassing, oppressive or abusive tactics when attempting to collect owed money. They cannot use false statements or engage in unfair practices in the performance of their work.

If you feel you need more help in solving your debt and credit problems consider contacting the nearest office of the National Foundation for Credit Counseling (NFCC). NFCCs are local, non-profit organizations, providing

education and counseling on personal budgeting and the wise use of credit. Services are free or for a reasonable fee. For the nearest NFCC office, check the phone book white pages or call:

(800) 388-2227

For more information, visit our website or contact the Bureau of Consumer Protection.

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