



A Recovery Plan for the Holiday Shopaholic

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By Sylvia Lim

I'm writing this article on a flight back from Paris and not only did I have a great time in France, but I'm also free from the financial headache that usually comes with such a trip. The reason is that I saved for this holiday before I flew across the Atlantic. I've learned that when the highs from spending have evaporated, the financial hangover soon follows, bringing with it the pain of high credit card interest and shocking debt balances.

Holiday season is here and the same concept can apply to holiday spending, so take note.

Are you a savvy saver or are you a buy now/pay later shopaholic? If you're the latter, consider changing your habits. It is not as difficult as you may think – a change in mindset, a bit of knowledge and a little patience is all it requires. Imagine the peace of mind from knowing you don't have to struggle with unpaid holiday bills after the ball drops on New Year's Eve.

If you do desire to be a savvy saver, but you've already overspent this holiday, there is still hope. Here's a recovery plan designed just for you. It will not only help you tackle your bills realistically, but will put you on sure footing for future holiday spending.

The best way to reign in a free-spending lifestyle is to take it one step at a time.

- Stop binge spending immediately. This is a must on your road to financial recovery. Keep in mind there's a huge difference between need and want, and make a decision to only spend on what you need. The rest is discretionary spending and can be cut back or eliminated.
- Use cash to pay for necessities. Do not use your credit or debit cards.
- Window shop if you must recreation shop. Except for necessities, minimize your shopping. Do not carry any credit or debit cards with you. Carry only a small amount of cash. Finally, reward yourself at the end of the day with a small gift (less than \$10).

- Acknowledge what you owe to date by writing it down on paper. Own up to your debt.
- List each credit card debt and its interest rate charges on paper.
- Total all amounts to determine how much debt you have to pay off.
- Be realistic about the length of time it'll take to pay down your debt. For example, a \$10,000 balance may take 24 months to pay off, or a little less than \$100 a week.
- Negotiate with your credit card companies for a better interest rate. Often you will find they're quite willing to do so if you take the initiative. You can potentially save hundreds of dollars in interest and other service charges.
- Pay off the credit card with the highest interest rate first.
- Use the card with the lowest interest rate only for emergency purchases.
- Put all your plastics except one on ice - literally freeze them in plastic baggies. This can help stop you from making impulsive and unnecessary purchases.

Once you know what you owe, here's how to pay off your debt more quickly. I advocate cutting back, rather than cutting out, discretionary spending. It's less dramatic and less painful. You probably won't miss it because you haven't deprived yourself – you're just buying less. With a bit of patience, you'll be surprised how the savings can add up.

- Save \$1,800 to \$3,600 a year by focusing on the small items. Cut back on junk food, coffee breaks, lunches, take-out food, snacks, cigarettes and taxis. It's easy to mindlessly spend \$10-\$20 a day on such items. Trim just half of these daily treats and you can pocket huge savings.
- Pay yourself first and save thousands. Get into the habit of regularly setting aside 10 percent to 15 percent of your earnings before you start spending. If you're earning \$40,000 a year, a 10-percent savings rate, or \$4,000, will only be \$77 a week, or \$11 a day—a sum you'll hardly miss if it's not there for you to spend. The savings can be used directly to pay down your debt.
- Grocery shop with a list and on a full stomach. Do not deviate from what's on your shopping list. You are also less tempted to impulse buy when shopping on a full stomach.
- Do not shop for fun. Find other activities to keep you occupied and entertained. Going for a jog with friends is easier on the pocketbook and good for you, too.
- Continue these money saving habits even after your debts are paid off. The money can now be used for other financial goals such as saving for your next vacation, that Gucci bag you've been drooling over or a down payment on a new car. You are free again to spend but with one difference, you are spending money you already have.

Going forward, you will feel more confident in your spending because you will know that money does not control you; you have control over your money. And just like my memories of my wonderful French holiday, you will appreciate being debt free after your vacation or shopping expedition. There will only be good vibes from the experience and no money worries. As for me, returning from Paris means going back to eating instant noodles, doing my own laundry and paying my bills. I think the bill payment will be the easy part.

Sylvia Lim, certified financial planner, is the author of "The Personal Budgeting Kit" and "Finances After 55."