

Holiday Budget Setting

November 6, 2009



The annual holiday shopping season is once again upon us. It seems to come around faster every year, doesn't it? And this year it seems that most Americans are in no mood to overspend. Nearly two-thirds of consumers said the economy would affect their holidays, according to a National Retail Federation survey, with 84.2% of those respondents saying they would spend less.

So how about your household? Do you have your holiday budget set? Will you approach holiday preparations, parties, and gifts differently than in past years? How are you going to involve your kids in this year's holiday season? Do you have plans to teach them some new ways to enjoy gift giving and holiday celebrating without spending more than they meant to?

This holiday season find a way to engage your kids from the beginning. This is one of the best times of year to help your kids become great stewards of their money. Share your best budget strategies for having a happy, festive holiday season that won't leave you with a January shortfall.

When To Do It

A quiet Saturday or Sunday afternoon

What To Do

Set your budget

1. There's no special or secret formula for how much you should spend on the holidays. You can use last year's budget as a starting point. (If you didn't have one last year, now's your chance to create one!) If you'd like a new approach, consider basing the budget on some portion of your household income after taxes. Some experts suggest three days of income should be enough for one holiday season.
2. Once you've set a budget, make a list of everything you plan to spend money on. Include gifts, travel, party costs, and decorations.
3. Jot down the approximate cost of all the items on your list.
4. Now the hard part: are your list and budget in sync? Can you afford the items on your list, given the budget you've set? Make any needed adjustments before you involve your kids.

Set the kids' budgets

1. Using your budget as a guide set aside the specific dollar amount you want each of your kids to manage this holiday season.
2. Determine exactly which items each kid will be responsible for with his or her holiday money. For example: sibling gifts, parent gifts, school party gifts.

Help them *plan* gift purchases

1. Let your kids know about their holiday budget(s) and what they will be responsible for this year.
2. Help them think of a few gift ideas and jot down their approximate costs.
 - You can take them online or to the store to check out prices.
 - Discuss the option of making gifts vs. buying — remind them that even making gifts will involve some costs.
3. Have them adjust or revise their shopping list based on the price check exercise and their decisions whether to make or buy each gift.
4. A simple shopping list/worksheet can help them keep track of the gift items and costs at home. It's also a handy tool to help them manage their budget while out shopping.
5. Consider setting up an incentive plan to reward them for staying on budget or coming in under budget. You make these financial or fun activity rewards. For example:
 - One free movie pass if they come in under budget
 - \$5 for every \$5 they come in under budget

This is the time of year when retailers pull out all the stops to overcome your budget concerns. So be ready to cheer on your kids' budget efforts as you all navigate this holiday season. Keep that list or worksheet in hand on shopping trips, whether to the shops or online. The whole family will find this really helps them to stay on top of spending — and makes it more fun learning along the way. Practice really does make perfect!

What You Will Need

- Calculator
- Paper and pencil
- Computer with online access
- Time for price check store visits

Talk About It

What do your kids think about being responsible for their own holiday budget? Do they like the responsibilities? What surprised them the most in estimating costs for gifts and other expenses — and adding them up?

