

Paying for the holidays should be a year-long effort

ANNA SHARRATT

SPECIAL TO THE GLOBE AND MAIL

PUBLISHED DECEMBER 21, 2018

With Black Friday, Cyber Monday and the endless holiday retail promotions, it is easy to get caught up in the frenzy of the holidays.

But not Eleni Moulis. The Toronto-based mother of two decided a few years ago that instead of focusing on holiday shopping and consumerism, she would spend quality time with her family instead. While she still plans on putting a token gift or two under the tree, she wants to focus on her financial priorities.

“I simply don’t want to add to the plastic pile growing in my house,” Ms. Moulis says. “We’re going to be baking, go Christmas carolling.” With the money she saves, she plans to contribute to her “Greece fund” where she likes to vacation and might one day retire. “You’ve got to put that money to better use,” she says.

But Ms. Moulis’s approach is not typical. Many Canadians overspend during the holidays and lose sight of their priorities, such as making RRSP contributions, saving for their children’s educations or putting away funds for a family vacation. Many are forced to confront big credit card bills in January – and the mental strain of being unable to pay them off in full.

According to consultancy PricewaterhouseCoopers, Canadians plan to spend an average of \$1,563 this year, up 3.7 per cent from \$1,507 in 2017. And while four in 10 Canadians surveyed by Manulife Bank have a holiday budget they plan to stick to, more than half of those predict they will overspend.

“In many instances people take on what they perceive to be short-term debt, such as carrying a balance on their credit card, which they cannot pay off right away,” says [Barbara Knoblach](#), associate at Money Coaches Canada, in Edmonton.

“They think that they will eliminate this balance once the holidays are over and life is back to normal.”

And many lose sight of what’s really important. “We all know to set aside money for retirement,” Ms. Knoblach says. But “retirement may seem way in the future. When a conflicting demand on cash comes up that is perceived to be more urgent, albeit less important, the purchase of the Christmas present may take precedence over contributions to retirement savings or RESPs,” she says.

Taking action ahead of the holidays

Ms. Knoblach believes the best way to counter the holiday cash crunch cash is to set aside money systematically for holiday spending throughout the year. She says that if you spend \$1,000 on gifts, set aside \$83 every month in a specifically designated holiday account.

“You’ll have the \$1,000 saved up by December.” That allows you to have a holiday fund while also allowing you to make your usual monthly RRSP, RESP or vacation fund contributions.

Another tactic is to scale back gifts, says financial blogger Tom Drake, founder of [MapleMoney](#) in Airdrie, Alberta.

“When exchanging gifts with friends or extended family, agree to set limits and even consider a Secret Santa exchange,” he says. “Not only will this cut down on the amount you have to spend, but it also reduces the number of gifts you receive that you may not need or have room for.”

Then there are many apps that can identify discounts and provide cash-back incentives.

“Stack your discounts,” Mr. Drake says. He suggests buying gifts using cash-back sites, such as Ebates, or loyalty-points shops, such as AirMilesShops, to get cash back, as well as using a cash-back credit card for another layer of savings. “If you’re shopping for Christmas dinner, you can stack by shopping the flyer, using coupons, paying with a rewards credit card, and then scanning your receipt through Checkout 51,” he suggests. Checkout 51 is an app that tracks what items you buy from its savings list and then rewards you in cash back.

Mr. Drake also recommends using budgeting apps to track expenses, such as [Mint](#) and [YNAB](#). “I also like the apps that will round up your purchases and put that money towards a savings goal,” he says, citing [Mylo](#) as an example.

Although apps can help track spending, they should be used with caution, Ms. Knoblach says. “Using apps may have the hidden danger of leading you to think that you are addressing your spending habits when in reality you aren’t.”

The best policy is going old school. “If you want to really know what your spending looks like, write it down manually,” she says. “This forces you to confront your spending habits on a daily basis.”