



# Financial Fitness Group

WHITE PAPERS

## MANAGING YOUR HOLIDAY SPENDING AND REDUCING STRESS

## Stress During the Holidays

The holidays are a stressful time of the year for many peoples. Factors such as financial pressure and spending can cause stress and anxiety. Gifts, traveling, food, decorations, and more are significant reasons why the financial strain is becoming more common. On average, Americans are expected to spend \$998 in 2020 during the holiday season (Investopedia, 2020).

Parents aim to make it the most memorable and enjoyable one holiday season, especially parents with children. This adds the constant pressure for spending and causing unrealistic expectations. During the holidays, consumer debt is at an all-time high, but people determined to try and make the holiday season so "perfect," that they ignore the red flags of re-evaluating their spending. Since 2009, holiday expenses and e-commerce data have shown increased spending each season. Additionally, online spending is expected to increase between 20 percent to 30 percent, about \$202.5 billion to \$218.4 billion (National Rail Federation, 2020).

### What Causes Stress During the Holidays?

1. Accepting all holiday invitations
2. Pressure to find the perfect gift
3. Inactivity and/or excessive eating
4. Family Status
5. Unrealistic expecations to make a "perfect" holiday season
6. Family tension and arguments
7. Going beyond your budget for gift shopping,, which adds to long-term financial stress

## What Can You Do to Handle Stress During the Holidays?



13% of parents would max out their credit cards to give their children a fun holiday.

Walletjoy, 2019



18% of parents have "no limits for holiday spending on their children.

Planning for holiday spending makes a huge difference. Making a plan with SMART goals even a few weeks before the holidays arrive will significantly reduce stress. SMART goals consist of specific, measurable, achievable, relevant, and time-based.

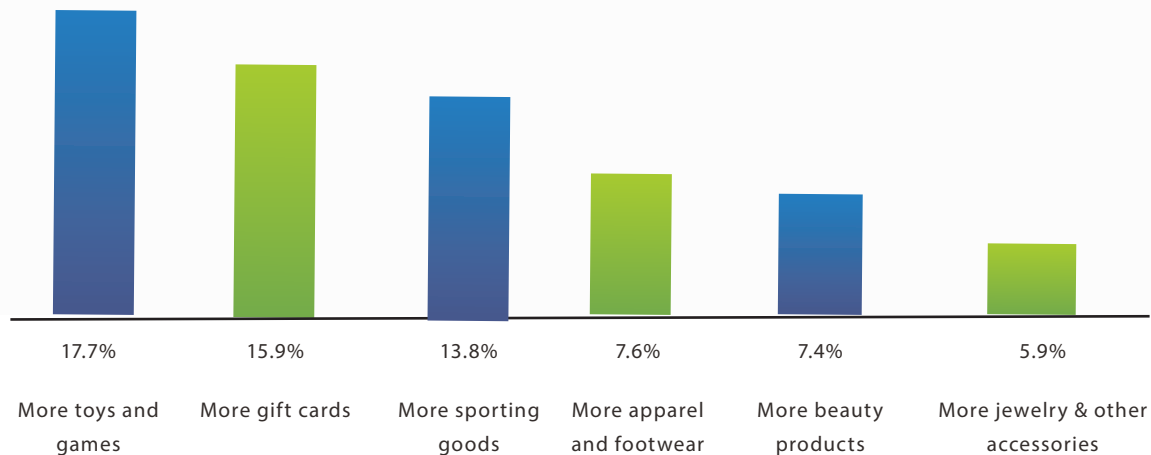
Creating these goals and setting a specific budget for each individual and event will prevent long-term financial stress. With the holidays being just once a year, this financial stress can follow people into the next year. Be proactive and tackle the holidays with a plan.



The holiday season looks a bit different this year. As Coronavirus cases are still at an all-time, people may be spending less on gifts and travel as they stay home having virtual holiday celebrations. Sixty-five percent of Americans say the pandemic will impact how they plan to spend and give gifts for the holidays this year (NBC12 and NerdWallet, 2020).

U.S. consumers plan to spend the same amount on holiday gifts this year despite the current economic recession (Nielsen and the Conference Board, 2020). The top industry consumers spend on is the retail industry. This industry has been preparing for shopping behavior changes, such as a more extended holiday season for shopping and minimal in-store holiday traffic. Nielsen conducted a consumer confidence survey comparing spending on gifts versus last year.

## HOW MUCH MORE WILL YOU SPEND ON HOLIDAY PURCHASES THIS YEAR COMPARED TO LAST YEAR?



Another major factor with COVID-19 is traveling. This year one in five (19%) shoppers typically travel to see friends and family for the holidays. Still, over half of those shoppers (53%) changed their travel plans due to the ongoing pandemic (National Retail Federation, 2020). Despite travel plans, this does not impact the gift-giving consumers plan to do this year.

Consumers are taking advantage of the earlier sales and promotions retailers are offering and shipping options. Many retailers have offered free shipping during the pandemic and buy online and pick up in-store, which is an influential factor to consider for budgeting. COVID-19 has created the urgency to shift priorities during the holiday season. Finding different ways to decrease planned spending versus actual spending will be necessary for balancing the holiday season.



# 8 Steps to Reducing Stress and Holiday Spending in 2020



## 1. CREATE A BUDGET

The first and most important step is to write it down. When creating a budget for this holiday season, look back and consult spending from previous holiday seasons. Look through past credit card statements and learn how a change can develop for this year. Additionally, look at factors you may have done differently so the same mistakes will not be made.

## 2. GIVE PERSONALIZED GIFTS

Gifts being personalized to each person mean much more than expensive gifts. A small, thoughtful gift goes a long way and is worth much more than a pricey gift someone may never use. When shopping for gifts, avoid impulses to thinking of how much something costs and what would reflect the buyer's feelings for those on a gift list.

## 3. SPEND MORE TIME TOGETHER IN SERVICE

Instead of spending more, organize group volunteering events instead of holiday parties. These events result in spending quality time together where efforts will be high versus suffering from buyer's remorse. The effort of organizing a volunteer day will be remembered, but the gift from Amazon will be less likely remembered.

## 4. RESIST THE URGE

The biggest goal for the holiday season is to make everyone feel happy and loved. To do that, buyers believe giving the most "perfect" gift will create the ultimate holiday experience. This thought, however, is not the case. Buyers can try duplicate gifts, meaning finding a reasonably priced gift that just about everyone on your list would love. These gifts create a predictable gift budget.

## 5. TREAT YOUR CREDIT CARD LIKE A DEBIT CARD

Treating your credit card like a debit card will help make sure you're not spending more than you can afford. Using an online tool or app that works to convert a credit card into a debit card with benefits will help you earn a credit card's perks and pay off your bills on time. Two examples include Debitize and Debx.

## 6.. PLAN FOR NEXT YEAR NOW

Planning will create and prepare for next year's holiday spending. Buyers can set up a separate savings account and make regular contributions. Additionally, if awards or rebates on credit cards have been given, set those aside to supplement your budget for the next holiday season.

## 7.. EDUCATION IS KEY

The more knowledge one has about money, the more likely understanding the pitfalls of overspending, using budgets, and improving financial fitness now and in the future will be the best gift to oneself. Increasing financial literacy will reduce stress in the long run for all aspects of life.

## 8.. TAKE CARE OF EACH OTHER

The holiday season brings many demands to individuals that can become overwhelming. Recognize what triggers create responses in stress and reprioritize choices to plan and find a greater balance.

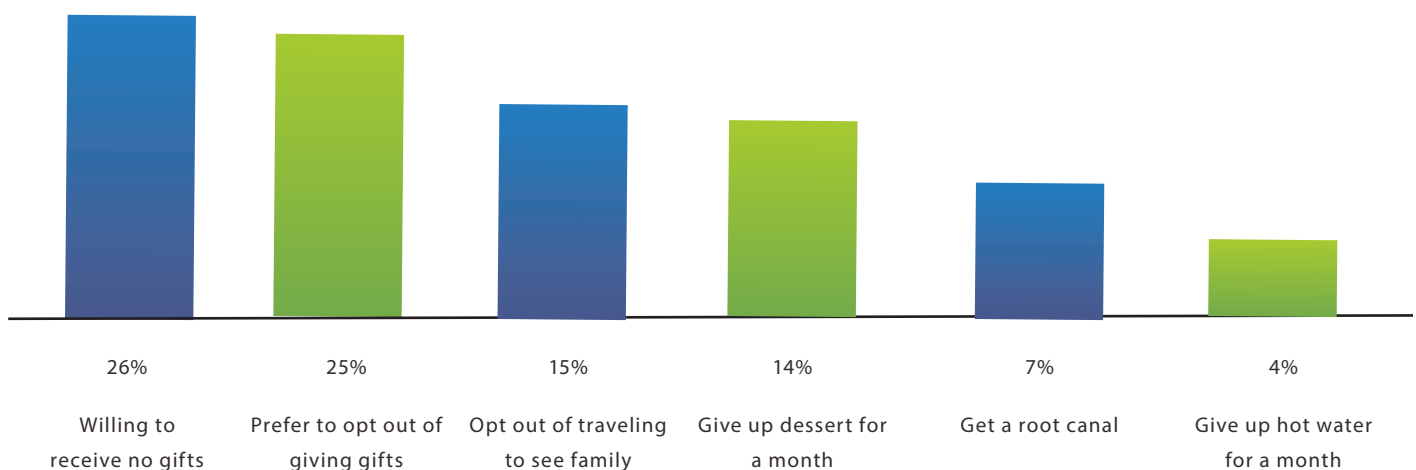
# The 2020 Holiday Season is in Full-Swing



While the eight tips for budgeting and reducing financial stress are all important, the essential factor to remember is the time with loved ones. The dollars will be forgotten, the gifts will be used, but the time and memories will be remembered this holiday season, if applicable, of seeing loved ones.

Americans find different ways to avoid debt. This holiday season, many are getting creative for how they are spending on gifts and celebrating. According to a report from MyWalletJoy, different tactics Americans can do this year are purchasing gifts using a rewards credit card to help put savings back into the consumer's pocket. These rewards and rebates can be redeemed for travel or buying the "perfect" gift.

## WHAT WILL CONSUMERS DO TO AVOID HOLIDAY EXPENSES?



## SUMMARY

Whether a large purchase is made or not, planning and budgeting will be extremely beneficial for each holiday season. The planning and budgeting will help avoid financial pitfalls without sacrificing gift buying, travel plans, and more. As Americans' spending has increased each holiday season, shoppers tend to be slightly more cautious of spending on their planned holiday budget goals. COVID-19 has made this holiday season different from the rest, with less travel but still the same amount spent on gifts. With the following holiday seasons after this year, consumers can expect other trends as shopping will more than likely drift in the direction of online.



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