

Corbett Road

In The Media

Survey: 1 in 6 Shoppers Are Still Paying Off Last Year's Holiday Debt

— By Stephanie Asymkos | November 20, 2019

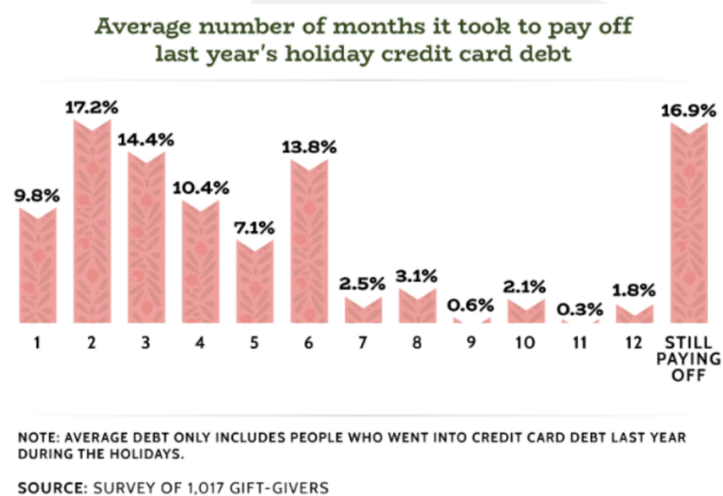
Decking the halls comes with a hefty price tag and Americans are still feeling the sting from last year's holiday tab.

Just under a third of Americans went into credit card debt to celebrate the 2018 holidays, racking up \$745 in outstanding balances on average, according to a new survey that Crediful, a personal finance website, shared exclusively with Yahoo Money.

The consequences are haunting some of them longer than the ghost of Christmas past.

Only 2 in 5 managed to pay off their bills within three months. Even worse: 1 in 6 are still chipping away at that debt even as they face this year's festivities, the survey found.

"The sad truth is that once someone finds themselves in [this] position ... there is very little they can do except to spend less for Christmas," said Roy Janse, a certified financial planner at DeHollander & Janse Financial Group. "Unfortunately, that is rarely the option taken."



It took more than three months for 3 in 5 Americans who went into debt to pay off last year's holiday credit card bills.

Paying for the holidays

If history is any guide, Americans will also tap savings, raid emergency funds, and sell possessions for cash to celebrate in grand fashion this holiday season.

Almost 2 in 5 Americans dipped into their savings to help cover 2018 holiday spending, a move personal finance experts applaud, especially if Christmas costs were accounted for ahead of time.

But 1 out of 9 holiday shoppers tapped into an emergency fund — money earmarked for unexpected home or auto repairs or medical bills — to bankroll their spending. Even more worrisome: 3 in 5 of them exhausted those emergency savings and then went into credit card debt, the survey found.



Americans funded their holiday spending in a variety of ways, such as borrowing, taking from savings or an emergency fund, and selling stuff for cash.

The survey also found that 1 in 10 Americans sold possessions for cash to pay for holiday purchases and 4.3% took out a personal loan to make it through the season financially.

“Sometimes there are surprises that come up in folks' finances. These are unplanned expenses,” said Robert Greenman, lead advisor at Vista Capital Partners. “Here's the thing about the holidays: They happen, at the same time of year, every year. These are expenses that should be budgeted for.”

Celebrate the fiscally responsible way

This year, Americans plan to spend \$1,193 for holiday merriment, according to the survey. But it's still possible to celebrate the season without going into hock, expert say. Yahoo Money called on financial planners to offer creative ways to indulge in the revelry without going in the red.



A woman shopping at a holiday pop-up street market.

Inject some good-spirited competition to cut down on costs. With your spouse or significant other, make holiday shopping a fun problem-solving puzzle, said Matthew Gaffey, a certified financial planner with Corbett Road Investment Management.

“If each of you limits your spending to \$40 and have to stay within the confines of a big box store, what would you buy for the person you care about?” said Gaffrey, who noted that you can adjust the limit to fit your budget.

Plan and sale-scan for each person on your list. Last-minute shopping leads to poor game-time decisions and that’s when overspending tends to happen, said David Mullins, owner of his own wealth management firm. Instead, make a Santa list for those you want to buy gifts for well ahead of time.

“Personalized gifts from sites like Etsy means finding a gift the recipient will cherish without breaking the bank,” Mullins said. “With the proper planning, you can still find something meaningful for everyone on your list without having to pay for it until next Christmas.”

Set healthy spending parameters. A lot of people derive joy from giving, but there’s nothing to be gained from risking your own long-term financial goals for the sake of others, said Jennifer Weber, a certified financial planner with Weber Asset Management.



Kids are checking the shopping list on the smartphone.

"If you're feeling the financial stress of the holiday season, talk to family and friends about setting spending limits," she said. "Or, instead of buying gifts for all family members, select one or two for an annual rotation."

Prepare for next year and save all year long. Eliminate the temptation to reach into your emergency fund or finance the holidays with a credit card by planning and saving ahead.

"You can easily create a new checking account at your bank and customize the name," said Linda Rogers, founder of Planning Within Reach. "Name it 'Holiday Gifts' and save \$80 per month into it, or whatever you typically spend at holiday time divided by 12."

Stephanie is a writer for Yahoo Finance.

