

Use good 'cents' during the holiday \$eason

Retail sales for the 2009 holiday season are expected to reach \$437.6 billion. How much of that will be attributed to you? And how much will you put on your credit cards?

Our grandparents managed to furnish a home, feed their children, buy a car, and put money away for emergencies...all without the aid of a credit card.

Credit cards, if used wisely, can be one of the greatest tools in building good, solid credit. They can also be one of the quickest indicators to a potential lender that a person is not a responsible money manager.

"Credit cards don't have to be difficult and confusing to use," said Maggie DeLaney, President of Consumer Credit of the Quad Cities, a non-profit organization and Iowa's largest credit counseling agency. "You just have to be in control of them and not have them control you. If you're disciplined about paying the balance off within the month, using a credit card is a great way to go. You basically have an interest-free loan for 30 days."

If you don't want to be one of those people who pay for holiday shopping for the next 12 months, make a rule that you don't use your credit cards for anything you can't afford to pay cash for. It's not really a bargain if you buy it using a credit card that charges 21% interest.

However, given the economic crisis, that could be more difficult than usual, especially when it's the festive, generous time of year. To help you manage your credit cards, your cash, and your stress level, keep the following tips in mind.

Know your spending limits. Take the time to know your spending needs and habits before you go shopping. How much can you realistically afford this year without going into debt you can't get out of? Cut corners wherever you can and eliminate unnecessary expenses. Eat as many meals at home as you can. This could save an average of \$20-50 a week and you'll have extra to spend on seasonal items.

Make a list. Include all the people for whom you want to purchase gifts. And don't forget your hairdresser, mail carrier, mechanic, babysitter, teachers, etc., who have worked hard for you this year. Those gifts can add up quickly. Decide how much you want to spend on each person and add it all up to ensure that the amount doesn't exceed your limit. Also budget for decorations, wrapping paper, postage, cards, and holiday food and entertainment.



More importantly, put your favorite charities on your list. The holidays are all about remembering our loved ones, giving thanks for our blessings, sharing with those less fortunate, and goodwill toward others. Food banks need supplies; families need help putting a holiday dinner on the table; blood banks need donations (your donation costs nothing); your local non-profits need contributions to fund their missions...the needs are great everywhere.

But use caution when you do make your charitable donations. If a cause interests you and you don't know much about it, go to www.charitynavigator.org or www.give.org to make sure it's worthy of your financial support.

And, remember, you can send a tax-deductible donation to the Royal Neighbors Foundation, 230 16th Street, Rock Island, IL 61201. Your gift will help change women's lives for the better all year long.

If you have a computer, keep your gift list updated on a spreadsheet. You'll not only keep yourself organized and on budget, but you'll have a record of your spending for next year.

Determine your payment method before you shop. Use a credit card and gain its rewards as long as you can pay it off at the end of the month. If that might be a problem, use your debit card and the money will come right out of your checking account. "You have to know yourself," said Mrs. DeLaney. "Statistically, people spend more when they use a credit card. So if you can't contain yourself when you're in the department store or online, use your debit card. And then, of course, be sure to reconcile your checking account each month."

Pay cash. It's easy to forget how much you've spent when you're using a credit card. Cash makes the expenditure feel very real, plus, when you've hit the spending limit you set for yourself, you simply can't spend anymore.

When paying cash, ask for a cash discount. Some small retailers may agree because it saves them administrative fees for processing the transaction.

Decide where and when to shop.

Do your homework first by comparing prices. Prices can fluctuate significantly from store to store. Many stores begin cutting prices the closer it gets to the holidays, although selection may be limited.

Shop when you're well-rested, you've had a good meal, and you're in a positive frame of mind. Hunger, tiredness, and unhappiness can send your good intentions right out the window. Don't buy too much at one time. If you're buying too many things, you stop paying attention to what you're getting.

Here are the good reasons to shop with a credit card

- \$ It's an effective way to keep track of what you spend
- \$ It can build credit worthiness
- \$ If you lose your card, report it immediately and you won't be responsible for most purchases that aren't yours
- \$ You have a middleman if a purchase goes wrong, especially when shopping online
- \$ Many cards have perks such as rebates and discounts on airline mileage, rental cars, hotels, etc.



Watch for sales wisely. Don't let the promise of a bargain lure you into making a buying mistake. If your sister doesn't like to cook, don't buy her a set of pots and pans just because its marked down 50%.

Plan now for 2010

With family, friends, and service providers fresh in your mind, make a list of everyone you want to buy a gift for and keep the list in your purse or wallet. When you find good deals and sales throughout the year, buy the gift and keep it in a gift-giving box. By December you'll have a majority of your shopping done. Do the same with seasonal decorations and gift wrapping items after the holidays are over.

On January 1, put one dollar in a container and empty your pockets and wallet of loose change and put that in the container, too. Repeat at the end of each day for the entire year, and you'll have a nice holiday nest egg ready to hatch open and use.

Or, open a special holiday account at your bank or credit union. Some financial institutions will allow funds to be deposited automatically from your paycheck so you won't even miss the amount you've decided to deposit.

Shop during the slow seasons. Deciding where and when to shop is a skill. Retailers are seasonal and often have sales during a slow season. These are perfect times to stock up on the things you know you want to buy at a fair price and you can avoid using a credit card.

Check your personal credit report once a year. Mistakes can happen and you can be denied credit, or even a job, because of someone else's error on your report. Once detected, most credit report errors can be corrected, but the responsibility of catching and correcting is yours. Mrs. DeLaney recommends going to www.annualcreditreport.com where you can order each of three different reports for free annually.

Use these Web sites to check your credit

www.annualcreditreport.com
www.equifax.com
www.experian.com
www.transunion.com
www.myfico.com

What you should know about credit cards

- \$ A late payment can trigger an interest rate increase
- \$ Late and missed payments can lower your credit score so interest rates may increase on your other cards and loans, too
- \$ Applying for too many cards within a short time period may hurt your credit score
- \$ The fine print is important – know the interest rate, due dates, grace periods, etc.

