

## PERSONAL FINANCE ■ SHOPPING

# Protect yourself from perils of overspending this season

Making a list, keeping to it, being prudent with credit cards can help you stay afloat

By Pamela Yip

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The annual ritual of holiday shopping is in full swing, and temptations from retailers are all over the place.

Faced with that, you could find yourself with a stack of bills after the holidays that you can't pay off if you don't shop strategically and follow a clear plan.

Your goal should be to pay off your holiday purchases in three months.

"That's the max," said Gail Cunningham, spokeswoman at the National Foundation for Credit Counseling. "People get all excited over finding something 20 percent off, and then waste that savings by extending payments over months, or in some cases, years."

In a survey by myFICO.com, almost half of respondents said they charge \$100 to \$500 more than usual on credit cards during the holidays, which for some takes six months or more to pay off.

What's more, 5 percent said they spend 75 percent, or more, of their total credit limits during the holidays — even though maxing out your credit hurts your credit score.

The survey was conducted early this month by e-mail among more than 3,000 customers of myFICO.com, which provides information

on the widely used FICO credit score. The margin of error is plus or minus 1 percentage point.

So here's what you need to do to stay afloat:

## Make a list; check it twice

A list is essential to manage your credit spending, especially if you're making big-ticket purchases.

"Honestly evaluate your current financial situation and determine how much you can spend without going into significant debt," said Lou Scatigna, a certified financial planner and author of "The Financial Physician."

Make your list specific. Don't just include the names of those for whom you need to purchase a gift, but also include the specific item you're looking for, and most important, the amount you intend to spend.

"Having an overall holiday budget floating around in your head isn't good enough," Cunningham said. "Without a plan, you'll likely get caught up in the hype and overspend in the blink of an eye."

## Leave credit cards at home

Use cash or a debit card to pay for your purchases. But don't carry large amounts of cash with you because thieves will be out in force aiming to take advantage of crowded areas and distracted shoppers.

## Don't stack your debt



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“Do not pile new debt on top of old,” Cunningham said. “Some people are still paying for 2009 holiday expenses as they enter the 2010 buying season. Don’t make your financial situation worse by being one of them.”

That’s especially true if you’re among the millions of Americans still unemployed.

“The holidays can be particularly difficult for those unemployed or facing foreclosure,” Cunningham said. “However, even if your situation is not that serious, we’re living in tough economic times, and no one should be spending money they don’t have.”

## Be wary of retailers’ cards

The offer for an extra discount off your purchase isn’t worth it if you don’t manage this account properly.

“Store credit cards are rarely a good idea for consumers,” said Bill Hardkopf, chief executive of LowCards.com, a credit card information website. “They encourage impulse shopping and also charge some of the highest interest rates of any credit cards on the market.”

He cited a study by Rep. Anthony Weiner, D-N.Y., whose look at websites of 35 major New York City stores and found the average rate was 23.83 percent.

Weiner said that the credit card of Fort Worth-based RadioShack had the highest annual percentage at 28.99 percent, followed by Staples and Best Buy, with interest rates each at 27.99 percent.

Weiner also surveyed credit card rates of major banks and those on LowCards.com and found the average rate was 14.58 percent.

Weiner has introduced legislation to increase point-of-purchase disclosure of interest rates, grace periods and annual fees for store credit cards.

“Store credit cards are a good deal only if you can take advantage of the discount offers and pay the balance off as soon as you get the bill,” Hardkopf said. “A 10 percent discount on purchases does not justify a 28 percent interest rate.”

## Read the fine print on deals

“Retailers run all sorts of specials to induce consumers to buy now, and the holidays offer these companies easy prey in the form of deal-seeking, cash-strapped consumers,” said Eric Tyson, author of “Personal Finance for Dummies.”

“For example, furniture stores frequently offer that if you buy now, you don’t have to pay a thing for a year, and you might even get free delivery,” he said. “Always remember that free financing for, say, a year is not a huge cost to the dealer, but it is a cost, and if you forgo it, you should be able to negotiate a lower purchase price.”

Read the fine print on any deal you’re considering before you make the purchase.

“It can be even harder to say no once you get to the store, so you’ll want to know what you are in for before you get there,” Tyson said.

## Consider giving of yourself

“Remember that meaningful gifts don’t necessarily have a big price tag,” Tyson said. “Sure, it might be nice to give your mom a brand new TV, but there are other things out there that will be even more meaningful and enjoyable for her like a photo album with candid shots of the grandkids or something they’ve made for her themselves.”