

How to have *Financially* Happy Holidays!



A Guide by Kathy Kali



"No one ever became poor by giving." ~Mike Todd

So the holidays are upon us! Hopefully we planned ahead in our budget for them. But statistically speaking, most of us didn't! So what do we do with Hanukkah & Christmas coming up and the consumer swirl all around us? If you are trying to keep up with the Joneses in your entertaining and gift giving, you may abandon your financial goals and end up back in debt. If you don't do anything, your kids will cry their little eyes out. So you gotta do something.

Here are some tips geared toward your particular Baby Step, or in other words, "how much real money you have". And remember, you are never too poor to give. Through all the steps it is recommended that you give 10% of your net income to your place of spiritual inspiration or charitable works. Tithing helps you stay connected with what has heart and meaning, creates contentment, and gives a sense of overall abundance. And most people can live off 90% of their income. If you can't, you are not a good money manager!



1. Baby Step 1: Building a \$1000 “Baby” Emergency Fund If you are working on getting your starter emergency fund together that means you have some debt to pay off and are just beginning your journey with wealth-building. You hopefully have woken up to the dangers of credit cards and would like to have real cash savings in the bank for emergencies, big purchases like houses & cars, and retirement.

At this stage of the game, it is best to keep your gift-giving & entertaining to a minimum. Explain to your family and friends that you are turning your financial life around, and would love to give everyone a thoughtful homemade gift. For kids that require a store bought game or toy, just give one decent-sized gift, and find bargains for the rest. Find free things to do like attending winter concerts & entertain with potlucks. Find contentment in the little things: homemade cookies, children singing, a walk in the crisp winter air.



2. Baby Step 2: Paying off your debt with the Debt Snowball.

Congrats! You have \$1000 in the bank and are now intensely working on paying off your consumer debt, including credit cards, car loans & student loans. This is serious stuff. To stay gazelle intense you are cutting expenses like crazy, working all kinds of extra jobs, and doing a monthly budget. Your kids have learned a new word, "NO", and are hopefully doing chores to help out around the house and earn their own spending money.

When you are getting out of debt, continue on the "free" train! Free entertainment, inexpensive gifts, and potluck meals will support you in continuing to throw all extra money at the debt. You will probably spend something on your kids. That is fine. But enlist them in the adventure. Explain "we are getting out of debt as a family, and we all are working together so Christmas will be simple this year". You can make homemade gifts together: simple bath salts or homemade vinegars are easy and don't cost a lot. Doing a service project together can make things extra meaningful too, like serving a meal to the homeless or giving to your local food bank.



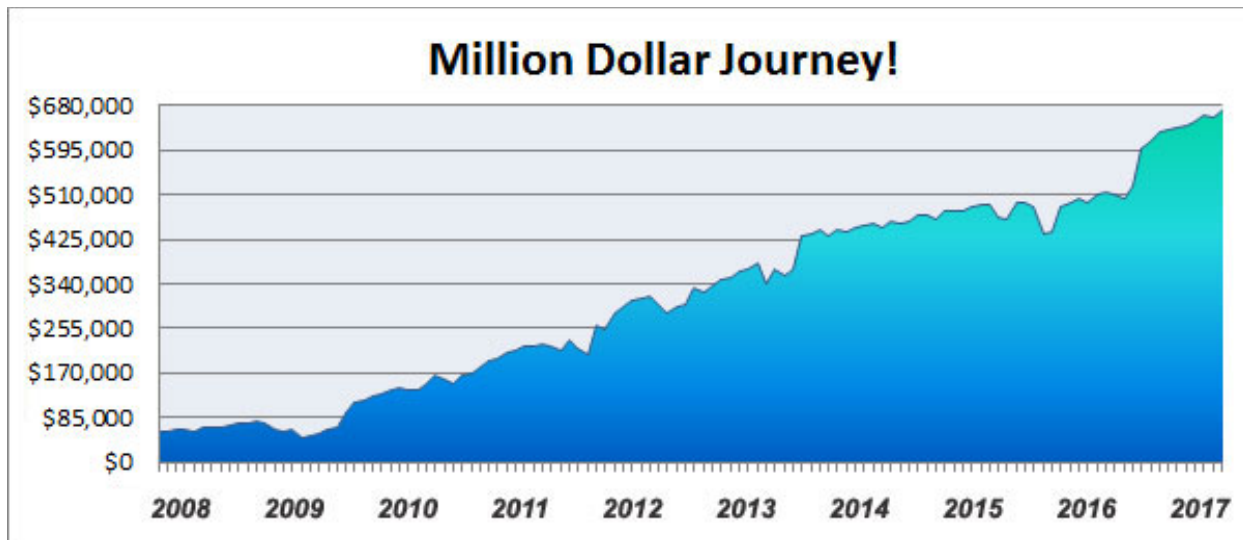
3. Baby Step 3 & 3b: Saving 3-6 Months Expenses & Home Down Payment. Allright, you are out of debt! Woohoo! Now that you no longer have any debt payments it will be tempting to start to ramp up your lifestyle with all your extra cash. But don't stop your gazelle intensity: keep going to save up 3-6 months of expenses in savings. This step makes sure that you are prepared for most of life's common challenges, such as a job loss, vehicle replacement, or medical event. And then Baby Step 3b is to save a down payment for a home purchase, if that is important to you and you do not own a home yet.

While in Baby Step 3 & 3b, you probably will be able to spend a little more on the holidays than you did before. Since you are now a pro at budgeting, you may even have a Christmas fund saved up. But don't go crazy! Be sure you are still saving \$. I found a balance in this step by giving a blend of homemade AND store bought gifts, and enjoying entertainment that was both free AND paid for. Drawing names for adult gifts works in some families. If you want to give to co-workers and friends, a card and a little treat are just fine.



Baby Steps 4, 5 & 6: Investing 15% for Retirement, Funding kids College, and Paying Off Your Home Early. Fantastic! You are in the serious wealth-building phase now. You have your foundation of your emergency fund and home under you, and are now saving 15% for retirement, saving for your kids' college, and paying off your home early with any extra money. These steps are done all at the same time, and usually take the longest of all the steps.

During this phase, you will want to be more generous. You will definitely have a Christmas savings fund, and be adding to it throughout the year. That Thanksgiving "Oh my God Christmas is in 4 weeks!" panic will be a thing of the past. Continue to get good bargains with items for your loved ones on sale, and lean towards what they truly want, rather than the latest and flashiest. A great rule of thumb is: something they want, something they need, something to wear, and something to read. Some holiday travel can be budgeted in here, as long as you are continuing your Baby Steps 4, 5 & 6.



Baby Step 7: Build Wealth and Give! WOW! You have made it to the final step! Your kids college is paid for, your home is paid for, now all there is to do is continue funding retirement to the maximum you can now that you do not have any payments. This is the time to build wealth, and be outrageously generous!

At this point, the holidays may be a time when you can afford to take a big family trip to the tropics, a cruise with your sweetheart, or gift all the kids or grandkids with a larger ticket item. Feel free to splurge, you've earned it! Don't forget the heart of the matter by supporting the church and charities that are most meaningful to you with extra giving. Practice random acts of kindness by giving a \$100 tip to a waitress just for fun, or paying a single mom's light bill for a year. Don't forget to enjoy those little things: homemade cookies, a beautifully lit tree, or a walk in the crisp winter air. But know you can afford some big things too, and that is ok.



Happy Holidays everyone!

Enjoy your gift-giving and entertaining at every Baby Step! May you enjoy love and connection with your special people no matter how much money you have.

Cheers!

Kathy Kali