

# Best Ways to Start Saving for the Holidays

“Christmas in July” is the name of a movie in which a man called Jimmy is tricked into believing he's won \$25,000 in a national radio contest. (It's from 1940, but the point remains.) He promptly goes out and blows his winnings on a shopping spree. When the truth comes out that Jimmy didn't win, the department store owner tries to repossess all the presents Jimmy bought for his girlfriend, his mother and everyone on the block.

The movie has a happy ending — Jimmy is officially named the contest winner after all — but real life is seldom so benevolent when we overspend. Here are some steps to avoid such a predicament this holiday season:

## Examine your finances

Unless you *know* a windfall is coming your way, setting up a savings account dedicated to holiday spending is an excellent way to avoid running up debt.

Craft a budget to approximate what you can afford to salt away by subtracting expenses from income. It may be useful to differentiate between fixed expenses such as your mortgage or rent, utilities and car payments, and variable ones such as food, entertainment and vacations.

It also may help to review [how much you spent on gifts last year](#). Whatever savings goal you come up with, divide it by the number of weeks left before the holidays to calculate how much to set aside each week.

## Setting up the account

Once you have your target, the next step is to set up the account with your bank or credit union and decide how to fund it. If you already have direct deposit set up with your employer, it may be possible to divert a specified sum from each paycheck — \$25, \$50 or whatever you decide to contribute — to this account.

Automating the process makes it easier to meet a savings target while also “masking” the loss. You don't miss what you don't see.

You might also consider padding the account to go beyond gifts and cover holiday-related outlays for decorations, dining out and traveling.

## Staying on track

The earlier you know what you're buying for whom, the sooner you can start monitoring prices and timing your purchases to take advantage of promotions and sales. And if you have a credit card with cash-back rewards, consider using it on holiday gifts to earn a bit on your spending.

As the holidays near, you may also wish to freeze extra spending. This could increase the likelihood you'll reach your goal and avoid excessive debt on other fronts.

If you see your budget is going to fall short of projected costs and want to avoid incurring debt, you may wish to consider paring down your list or the specific gifts you had planned on.

Now, this might sound contradictory, but if you have your plan and are sticking to it, [consider using a credit card](#) to actually make your purchases. Why? Because using a credit card can mean better fraud protection, price protection and the ability to earn rewards. When the bill comes in January, you pay it out of the dedicated savings account you'd set up.

Whatever you do, be smart and be responsible with your holiday spending, because most of us can't count on a Hollywood-type happy ending.

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