

I Already Have \$700 Saved for Christmas & You Can Too

Every year in January, millions of Americans try to recover from a hangover. No, not that kind of hangover — I'm referring to the holiday debt hangover. Unfortunately, many Americans also take months to [pay off that debt](#) and some may even carry it for years. Whether you are just now in the black from last year or you want to avoid going into the red this year, there are several different ways to save money for the holidays starting right now.

For those of you who tend to be a little more financially disciplined, there are actually ways to accumulate funds for the holidays that won't require you to set aside your own money. Pretty cool, right? More on this in a moment. And for my less disciplined folks, (you know who you are), there are painless ways for you to start saving money as well. After all, as the title of this article states, it's only July and my family has already saved more than \$700 for Christmas. We are proof that, as with most personal finance concepts, a little forethought and planning can go a long way.

The (Boring, But Important) Legwork

First things first, if you have any hope of being successful in this endeavor we need to establish a baseline. Unless you're a recent college grad, odds are you've been a part of the debt-juggling crew for some time and while that isn't exactly something to be celebrated, it gives you a great source of data to start with. The first thing you should do is review what you spent last year and, if possible, the year before that. If you use a computer or cloud-based budgeting program or a full-fledged wealth management program, you shouldn't have any issues pulling this information up. If you aren't currently using one of these tools you might want to consider it. In the meantime though, logging into your various bank and credit card accounts should give you access to your account statements. I would suggest viewing your October through December statements, unless you're the kind of person who purchases everything on the weekend before Christmas, then December should be just fine.

Once you've done this, separate out the standard monthly expenses from the holiday ones and add them all up to determine your aggregate holiday expense. If you have multiple years' worth of data then add your holiday expenses together and divide by the number of years' worth of data.

Example:

\$750 (2012 Christmas)

+\$850 (2013 Christmas)

+\$800 (2014 Christmas)

\$2,400 is what you spent over the course of three years

$\$2,400/3 = \800 is the average amount over the three years

For those of you looking for your master's badge in holiday budgeting, complete the following steps. Otherwise, move on to the next paragraph. If you feel like you are in solid fiscal shape this year and want to increase your holiday budget, then multiply your multi-year average (\$800) by 1.1%, which in this example gives you \$880. If things aren't quite as fruitful this year and you want to trim the budget, multiply your average number (\$800) by 0.9%, which gives you \$720. Either way, you now have a range to work with for your holiday gifting budget.

Bite-Sized Savings That Can Pack a Punch

Let's assume that \$720 is your savings goal for the upcoming holiday season. In this case, you would need to save around \$60 a month for 12 months. Unfortunately, if you are reading this article now, you are already behind the 8-ball and will need to make up for lost time. Starting in July means that you will need to set aside \$120 a month for the next six months to meet your goal. For some this may be a bit out of reach and for others it may simply mean foregoing some additional guilty pleasures (that second cup of Starbucks every day or canceling one of the weekend outings).

Regardless of which boat you're in, you'll need to determine your specified monthly savings amount and start socking it away right now. I know what you're thinking, "Hey genius, if I was that disciplined I wouldn't be reading articles like this to begin with." Well don't fret, after all we live in the gilded age of technology where (at least for now) the computers are our friends and work to make our lives easier.

The Coin Jar Goes Digital

When I was little, I remember my mom and dad putting their loose change into a coin jar. Roughly twice a year, we would dump the change out onto the living room floor, count it out and put it into coin rolls, it was always a great family event.

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Like so many other things in our lives, the change jar has also gone through a number of upgrades over the years. Instead of having to physically count and roll the coins, a number of banks and third-party services now provide change-counting services. Today, few people even carry cash, so many of those same institutions have decided to digitize the change jar. How does it work? Imagine if you spent \$31.25 filling up your car with gas. Your financial institution takes the remaining 75 cents of that next dollar that would have otherwise been your change if paying with cash, and magically whisked it away to a savings account for you.

What would that look like if that same routine were compounded over every transaction of every day of every month for the rest of the year? Your virtual spare change jar would quickly add up. There are resources like Bank of America's "Keep the Change," Wells Fargo's "Way to Save," or for my millennial techies, Acorns (which can add a bit of an investment angle for those interested in that sort of thing). If you aren't down with the digitized coin jar you could always just automate a transfer from your checking account to your savings account at the beginning of each month. The point is that tools like these can help you start your savings by removing what tends to be, for most, the hardest element to control... the human element.

For the Financially Disciplined

If you tend to be a bit more disciplined when it comes to your personal finances, then you have an opportunity to access tools that can help you save without requiring you to put any money aside. We financial planning and money management types tend to enjoy life a little more when our money is working for us and not the other

way around. Because of this we seek opportunities where, with a little discipline, we can obtain some type of edge.

Last year, a friend of mine introduced me to the idea of [rewards credit cards](#). I had never really paid attention to these types of programs in the past because, like most of you, I like to shop around for airline tickets to find a good deal so the [airlines rewards credit cards](#) never really appealed to me, likewise some of the other branded cards might let you build up rewards for certain stores or hotel groups but I prefer the flexibility of staying where I want when I want.

However, when my friend pulled up the Capital One app for his Quicksilver credit card last November to show me that he had \$600 in cash rewards, I was stunned. I quickly went out and signed up for one myself. The program gives you 1.5% cash back on every dollar that you spend. This presents a real opportunity to leverage your spending and generate actual money for your holiday budget. For example, my wife and I have coordinated our spending on everything from groceries and gas, to utilities, cable and eating out. When my computer bit the dust, I put the new one on the card. When my wife needed new brakes on the car, we put it all on the credit card, which generated an additional 1.5% cash back rewards that we intend to use for our holiday gift-giving. Now I wouldn't be a prudent financial adviser if I didn't address the elephant in the room.

As most of you know, if you buy something with a credit card, you are merely floating your obligation to pay for that item. When your monthly payment comes due, if you fail to pay off the balance on the credit card and carry it over to the following month you will begin to accumulate interest charges that will likely be in excess of any rewards you may have gained. From there, debt can snowball. If the debt reaches a high enough percentage of your available balance (greater than 30%), or if you fall behind on your payments, you could hurt your credit. (You can see how your credit card debt is affecting your credit by [getting a free credit report summary on Credit.com](#).) That's why this approach is only for those who are disciplined about [paying off their balance in full every month](#).

As of the publication of this article, my wife and I have yet to carry a balance on the card beyond the monthly cycle and have already accumulated more than \$700 in rewards. I was so excited about our conquest that I called up my friend to brag, only to be informed that he is using a new rewards card, Citi's Double Cash, which pays you 1% on every purchase and an additional 1% when you pay off that purchase. After berating my friend for not telling me about this sooner, I decided to set a calendar reminder to apply and test out this new card at the first of November for the next holiday season.

Whether you decide to use the old fashioned change jar, one of the newer digital change accumulators, a [cash-back rewards credit card](#), or some combination of the above — the point is that the holidays don't have to be a time for financial despair. Just a little bit of planning and a small amount of organization can keep your White Christmas from pulling you into the red.

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