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The Automatic Millionaire

by David Bach

12 Saving Tips for the Holidays

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The holidays are here, and many of us will get caught up in the excitement of the season and be sent into a spending frenzy. In fact, The National Retail Federation reports that the average shopper will lay out close to \$800 on holiday shopping this year.

If you find that the only holiday tradition you have is to overspend, take heart in the old saying that traditions were made to be broken. I challenge you to create a spending plan this year that you can stick to. With a little creativity and commitment, you'll be kicking off a new year this January without the burden of holiday debt.

Here are my 12 tips to help you save money this holiday season:

1. Start with a detailed list.

Write out who you're buying for and how much you can afford to spend for each gift. When you add it all up, you'll know if you need to cut back the list or perhaps decrease your spending limit per person. Impulse purchases will quickly get you off track, so bring the list with you when you shop -- and resolve to stick to it.

2. Use cash.

If, like the average shopper I mentioned above, you spend \$800 on gifts, charge it all on your credit card, and only make the minimum payment each month, at a rate of 18 percent you'll end up paying another \$800 in interest and it will take you 131 months to pay it all off!

Paying with cash makes your spending more real and will cut down on your urge to splurge. If you can't afford to pay for a gift with cash, then more than likely you can't afford it.

How about chipping in with a family member or friend? Or go for something less costly but more meaningful - a carefully chosen book, a favorite photo in a frame, even a homemade treat made with love.

3. Shop online.

According to [an AOL Shopping/Zogby poll](#), a whopping 80 percent of Americans expect to purchase gifts online this holiday season.

Online prices often beat out in-store prices, but will require you to use your credit card. Shop with the card that has the lowest interest rate and keep track of what you're charging. If you don't pay your balance off in full, you'll more than wipe out the saving benefits of buying online.

Also, take note -- a recent USA Today article stated that more than 80 percent of online retailers now offer

free shipping. If you meet the minimum purchase requirement, you'll want to take advantage of free shipping offers for gifts you plan to ship long-distance. You'll save yourself a bundle, not to mention long lines at the post office.

4. Compare prices.

Another advantage to shopping online is the myriad of comparison tools available on the Internet to help you find the best deal. Check out sites like [Yahoo! Shopping](#), [Shopzilla](#), [PriceGrabber.com](#), and [Shopping.com](#).

Most sites will even offer a bottom-line comparison, which shows you the best deal with tax and shipping included. For big-ticket items, comparing prices before you buy will pay off big-time.

5. Use coupon codes.

This is one of my favorite ways to get some good deals while shopping online. Don't leave that "coupon code" field blank when you're ready to check out. Take a moment to visit sites that offer discount codes for hundreds of stores -- from [Amazon.com](#) to [Zappos](#).

Check out [Currentcodes.com](#), [dealcoupon](#), [CouponHut.com](#), [savester](#), and [MyBargainBuddy.com](#).

6. Cash in your reward points and frequent-flier miles.

Here's how you can put your credit cards to good use. Cash in your reward points in exchange for store gift cards. Right now, 5,000 points on a Capital One card will get you a \$50 gift card to retailers like Macys, Barnes and Noble, The Gap, and many others.

Similar exchanges are also available for many frequent-flier programs, so check them out. Use the gift cards to either purchase gifts, or give the card itself as a gift. For the full scoop on gift cards, read my earlier column "[Four Tips for Avoiding a Gift Card Fiasco](#)."

7. Draw names from a hat.

With a large family or group of friends, it's just not feasible to buy a gift for everyone. Instead, pre-select names from a hat so that each member of the family or group only buys a gift for the name that they've chosen.

Set a spending limit and have some fun with it. Visit [GuessList.com](#) for entertaining variations on this idea.

8. Donate to a charity.

For the person who has everything, consider making a donation in their honor to a charity that holds special meaning for them. At [JustGive.org](#) you can buy a donation certificate to give as a gift. Your recipients can then choose a charity to donate to and you'll get a nice tax deduction.

Be sure to save your receipt, and make sure the charity you ultimately choose is legitimate. Check them out first at [GuideStar](#) or [Give.org](#).

9. Host a potluck dinner.

You can do a great job of keeping your gift list in check and then blow your whole budget on an overly expensive dinner for your guests. Steer clear of splurging on lobster tail and filet mignon when you're on a tuna fish budget.

If it's your turn to host family and friends this year, take some of the burden off by asking your guests to each bring a favorite dish or dessert.

10. Wrap with recyclables.

Sometimes we end up spending more on wrapping paper than we do for actual gifts. When I was a kid and we ran out of wrapping paper, my creative mom used the comics from the Sunday paper to finish the job. It looked cool and didn't cost a dime.

Today, you can do the same thing and feel good about recycling. Another alternative: More and more fundraising groups sets up tables in stores and malls, where they'll wrap your gifts for a small donation -- a win/win for you and them.

11. Accessorize.

There's no need to buy an expensive new outfit for your holiday get-together or office party. In fact, I'll bet you'd be surprised by what you find in the back of your closet if you look close enough. Dress it up with a new holiday tie, scarf, or pin and make the old new again.

12. Don't spoil the kids.

I know how hard it is to resist the urge to overindulge the kids at holiday time. With gaming consoles like Sony's PlayStation 3 selling for over \$1,000 and preschoolers requesting iPods in their letters to Santa, it's all too easy to spend more than you can afford.

Overindulgence simply isn't good for the kids, and it's certainly not good for your pocketbook. Try substituting a large-ticket item with a special "date" with your child. Plan a family outing to a local ice-skating rink, bake some holiday treats together, or pop a bowl of popcorn and watch a holiday classic with each other.

In years to come, your children will treasure the memories of time spent with you far more than the latest toy fad.

As you save cash with these tips, I hope you'll be able to recapture the magic of the season by replacing overspending and holiday debt with treasured memories, quality family time, and freedom from financial worries. Happy Holidays to all.

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