

Christmas Holiday Debt Help

Practical Guide On What To Do If You Have Gone Over Your Budget

Introduction

Some people spend with reckless abandon during the holidays. They make a long list of friends, family, coworkers, service providers and acquaintances, and buy lavish gifts for everyone on it. They put up strand upon strand of Christmas lights, and tons of other decorations. They have huge Christmas and New Year's Eve parties.

Others are more cautious. They buy gifts only for those closest to them, or even make them by hand. They decorate beautifully but sparingly. If they host a holiday party, they make it a potluck and focus on having a good time rather than impressing everyone.

Whether you fit into one of these categories or somewhere in between, it's easy to overspend during the holidays. Even those who strive to stay within a budget often fail. And when all the gifts are unwrapped and the decorations put away, they find that their finances are suffering.

In this report, you'll learn about how to recover financially from the holidays, and how to prevent the same scenario from occurring next year. So let's get started, shall we?

Why We Go Over Budget During the Holidays

Before you learn how to get back on track after the holidays, it's a good idea to examine how you became derailed in the first place. Doing so will help prevent you from making the same mistakes in the future. Here are some common reasons why people overspend during the holidays.

* They're trying to make up for something. Those who buy expensive gifts only for certain people often do so out of guilt. They feel that they have wronged the recipient in some way, so they feel obligated to spend a lot of money on them to make amends. But instead of doing that, why not just say you're sorry?

* They want to outdo other gift givers. For some people, Christmas is more a contest to see who can spend the most money than an occasion to show your appreciation for those they care about. So they try to get the best gift for everyone on their list, with "best" meaning fanciest or most expensive.

* They want to have the best decorations on the block. In some neighborhoods, all of the neighbors try to outdo one another when it comes to decorating. It's hard not to get caught up in

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the competition, so instead of leaving everyone else to compete with one another, they get in on the act too. All those decorations are nice to look at, but they're expensive and often use a lot of electricity.

* They want to have the holiday party to end all holiday parties. Hosting a party is a wonderful way to celebrate Christmas and the New Year, but some people just go way overboard. They invite everyone they've ever met, serve an expensive, catered four-course meal, hire an in-demand band and have a full bar. But is all this really necessary to have a good time with your friends and loved ones?

* They think it's okay to run up their credit cards just because it's Christmas. So what if they have to pay a lot of interest? It's the season of giving, and they're going to give whether they can really afford it or not.

* They just don't keep up with their spending. They try to spend reasonably, but it just sneaks up on them. When the holidays are over, they're left scratching their heads, wondering where all their money went.

* They go crazy at the after-Christmas sales. Some shoppers are meticulous about sticking to a budget when it comes to buying things for the upcoming holiday. But when they see those huge discounts that are offered after the festivities are over, they go on a spending spree because they don't want to miss out on any of the deals.

Whatever the reason may be, overspending can haunt you for months (or even years) to come. But in order to nip it in the bud, it's important to recognize the reasons behind it. That way you can address them and move on.

Why Charging Holiday Gifts Is a Bad Idea

Credit cards provide a great deal of convenience. They keep us from having to carry cash or write checks. They allow us to charge items from multiple retailers and pay for them all on one bill. They even provide recourse if we receive a defective item and the retailer won't give us a refund. These are some of the reasons why people use them for holiday shopping.

But there's another reason that so many shoppers use credit cards during the holiday season. And that's because they can afford to buy things with them that they otherwise couldn't. Instead of saving up money to buy gifts, decorations and other holiday stuff, and working up a budget before they get started, they just say "Charge it." Who needs a budget when you've got a high credit limit, right?

Once the holidays are over, however, they see the error of their ways. They get the bills, and they realize just how much they really did spend. They might not think much about it at first, and they pay those minimum payments for a few months. But then they see that they're not making any headway, and that most of what they're paying is going toward interest.

Even if you're usually great at managing your finances, pulling out the plastic during the holidays can be a bad move. It's just too easy to get caught up in buying all those gifts and ornaments and lights and other Christmas goodies and forget to keep tabs on how much you're spending. You might be accustomed to paying your balance in full each month, but when you get your post-holiday bill, it could be more than you're able to pay.

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For these reasons, it's usually best to pay cash for your holiday purchases. It's not as difficult as it sounds if you save up ahead of time. And you won't have to pay a penny in interest. In fact, you won't have to give your spending a second thought after the holidays, because there will be no additional bills to pay.

How to Get Holiday Debts Under Control

So, you've considered the reasons that you overspent over the holidays, but the damage is already done. Now it's time to pick up the pieces and get on with your life. But when you're facing a staggering amount of debt, that's not always so easy. But in almost every case, there is hope.

The first thing you need to do is create a budget. If you've never made one, now is as good a time as any to start. If you already have a detailed budget, you'll need to revise it. When you've run up a higher balance on your credit cards, you'll have to put more money toward them than you were previously.

Those who aren't already working with a budget will need to write down all of their income and expenses. Your list should include everything, from utility bills to the pack of gum you buy twice a week. Even the smallest expenses can add up to more money than you realize.

Once you've done that, it's time to start cutting things out. Go through your expenses and see what you can do without. In most cases, there will be plenty of non-necessities you can completely cut out, such as buying breakfast on the way to work or automatic car washes. If you do it yourself, there's no need to pay someone (or a machine) to do it for you.

Next, look for expenses you can cut back on. If you have cable but rarely watch TV, you could get a less expensive package or have it cut off and join Netflix. When it comes to groceries, you could stop buying brand name products all the time and start buying more generics. Unless you're already spending the bare minimum (and most people aren't), there's no need to deprive yourself of everything. It's entirely possible to cut back and still have most of the things you enjoy in life.

Once you've found things to cut out and things to cut back on, add up how much you'll be saving by doing so. You'll probably find that you're saving dozens, or perhaps even hundreds, of dollars in a month's time. If you put that amount toward paying off your debts, you could pay them off much faster.

But don't stop there. During the course of the month, see if you can find other ways to save money. Check the Sunday paper for coupons for products that you use. If you need clothes, shop secondhand stores instead of going to your favorite boutique. When you shop online, look for coupon codes that will save you money. When you find a way to save money, write down how much you saved. Then add that amount to your debt payments for the month.

If you have more than one credit card with a balance, it's best to pay off the one with the highest balance first. Try this: Pay the minimum payment toward all of your debts, except for the one with the highest interest. For that one, add all of the money you've come up with by adjusting your budget toward it. Keep paying that amount until the debt is paid in full. Then start adding the amount you were paying toward the debt you just paid off toward the debt with the next highest interest rate. Repeat until all of your debts are paid, and you'll save a bundle of money.

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If you're able to make the minimum payments on all of your debts and have at least a little bit left over each month, it's not as hard as you might think to eliminate your debts. It will take discipline, but you can do it. If you want to get rid of those holiday debts badly enough, it's not that hard to do what it takes to get them paid off.

Coming Up With Extra Money to Put Toward Holiday Debts

If you can't find any wiggle room in your budget, or if you just want some extra money to help you pay off your debts faster, there are many ways you can earn a few extra bucks. Here are some ideas:

- * Sell stuff. Maybe you got some Christmas gifts that you can't or won't use and weren't able to return. Maybe you've got stuff sitting around the house that's only taking up space. Or maybe you're a crafter who can whip up marketable handmade goods in your spare time. Whatever you've got, there's someone out there who can use it. So put it on eBay, in the paper or in a garage sale.
- * Provide services that people need in the winter. Just about anyone can shovel driveways and throw down salt, and those are two things that a lot of people will gladly pay someone else to do. Other things you could do include washing cars, installing weatherstripping and selling firewood.
- * Babysit. There's always a demand for good childcare providers. And you can still watch kids even if you work full-time. Some parents leave for work early in the morning and need someone to put their kids on the bus or take them to school. Others need after-school or weekend sitters.
- * Clean houses. If you live in a warm part of the country, there may be vacation homes or timeshares in your area that people from colder areas visit from time to time in the winter. Those in colder parts could find work cleaning the homes of people who have gone south for the season. Put an ad in the paper advertising your services, or check with property management agencies to find homes to clean.
- * Get a part-time job. Even if you just work a couple of evenings a week or on the weekends, you can earn some extra money to pay toward your debts. Check with retail businesses and temporary agencies to find part-time jobs that will work around your schedule.

Everyone has some sort of skill that they can use to make extra money. Putting yours to use could help you get out of debt much faster. And when you've got all of your holiday debts paid off, you could continue with your efforts to save up enough money for the next holiday season so that you won't find yourself in financial trouble again.

Should I Transfer My Balances?

Just about everyone has received an offer for a credit card with a low balance transfer rate. Those with good credit probably get at least one in the mail every month or two. If you have already accumulated a significant amount of credit card debt, these offers can be quite tempting. But are they worth it?

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For those who have racked up a lot of debt over the holidays, the answer is, "Maybe." For some, transferring balances from high-interest cards is a great way to save money and get their debts paid off more quickly. For others, it's an invitation to get into even more debt.

If you are normally good about keeping your debt manageable but slipped up during the holidays, a good balance transfer offer could be the answer to your prayers. Some cards offer zero percent interest for a several months to a year, and if you pay more than the minimum payment during that time, you could feasibly pay off your debts without paying a cent in interest. And even if you have to pay some interest, if the rate is 5% or less, you could still save more than enough money to make it worth your while.

But for those who have a history of credit woes, transferring balances from one card to another could spell trouble. When you move a balance from one card to another, that gives you more available credit. While that's good for your credit score, it's not always good for your financial health. If you can't resist the temptation to run that balance up again, you'll end up in worse shape than you were in in the first place.

And don't think that just because a credit card company offered you a low balance transfer rate that it must be a good idea to get that card. You could have good enough credit to qualify even if you haven't been very responsible with credit cards in the past. As long as you've made the minimum payment on time each month, your credit should be in reasonably good shape. But if you've been carrying a balance on one or more cards for some time, it's probably not in your best interest to have access to more credit. At least not until you get some of your existing balances paid off.

The bottom line is that transferring balances from high-interest cards to a zero- or low-interest card can save you a tremendous amount of money. But this is only true if you pay more than the minimum payment each month and quit charging up balances until you've paid it all off. So before you apply for that low-interest credit card, take a long, hard look at your debt management habits. If you don't honestly believe that you can leave your other credit cards alone until you get your existing balances paid off, don't do it.

Debt Consolidation Loans

A similar option to credit card balance transfers is the debt consolidation loan. You can take up one loan to pay off all your other debts whether they be credit cards, other loans or even your bank overdraft.

The big advantages here are that you can, more often than not, get a lower rate loan, which means you are paying back less and you don't have the hassle of dealing with multiple debts. You pay off all your debts with a debt consolidation loan and then have just the one payment to make.

You can use an unsecured loan or a secured home loan for debt consolidation.

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Is a Secured Home Loan the Answer?

Homeowners who find themselves buried in debt have an option that those who do not own a home don't have. They can get a secured home loan to pay off balances of credit cards and loans. While this might seem like the perfect solution to your problems, it's not always a good idea.

In order to take out a secured home loan, you must have equity in your home. In other words, you must owe less on your mortgage than your home is worth. You can borrow the difference between the amount you owe and the home's value.

There are two types of secured home loans: open end and closed end. Closed end secured home loans give the borrower a lump sum up to the amount of equity he has in the home. Open end secured home loans, also known as home equity lines of credit, give the borrower a credit limit up to the amount of equity he has and allow him to borrow as little or as much as he wants up to that limit. Home equity lines of credit work in a manner similar to that of a credit card.

The reason secured home loans are so attractive to those wishing to pay down debt is because they generally come with low interest rates. But the problem is that they put your home on the line. If you default on a secured home loan, you could lose your home.

If you have run up an insurmountable amount of credit card debt, a secured home loan might make sense. But for those who have just spent a little too much over the holidays, getting a secured home loan might be a bit extreme. In addition to putting your home on the line, you must pay fees such as closing costs and appraisal fees. And if you don't have a fairly large amount of debt, it may not be worth all the expense and trouble.

Before you attempt to get a secured home loan, ask yourself, "Is it worth putting my home on the line?" In most cases, it's not. Even though you could potentially save a great deal of money in interest, it's rarely worth it. Most people have other options that do not expose them to so much risk and will still save them money.

If you do decide to opt for a secured home loan we can help by taking the hassle out of finding the right deal from amongst the hundreds out there, give us a try here now www.quickandeasyloans.co.uk.

What to Do if You Seriously Overdid It

Most holiday shoppers can get their debts under control fairly easily. But in extreme cases, it might be a little trickier. If you bought everyone on your Christmas list an HDTV or a designer handbag, you could be in so much debt that there's little or no chance of getting out by ordinary means.

If you own a home, a secured home loan might actually be an option worth considering. But if you don't, or if you can't stand the thought of risking your home to pay off your holiday debts, there are other options available. They might damage your credit, but if you're having trouble paying your bills anyway, they're certainly worth considering.

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Credit Counseling

One thing you could do is seek credit counseling. A credit counselor will evaluate your income, expenses and debt to help you find a way to get your debts repaid. And if there's no way you can rearrange your budget to accommodate even the minimum payments on your debts, the counselor can negotiate with your creditors to lower your payments and interest rates.

Credit counseling will show up on your credit report while you're participating in the program, and you probably won't be allowed to use your credit cards or apply for any new credit. But if you can get your payments down to a manageable level and pay less interest, you'll be able to eliminate your debts much faster. In most cases, you can pay it off in half the time it would have taken you otherwise, or even less.

Debt Settlement

For some debtors who are in way over their heads, debt settlement is a possible solution. Debt settlement also involves negotiating with your creditors, but in this case you negotiate to pay an amount that is less than what you actually owe. If you're successful, you'll probably have to pay the entire settlement amount in one lump sum, but some creditors will let you break it down into two or three payments.

Debt settlement can adversely affect your credit. And in most cases, you will have to pay taxes on the amount of the debt that was forgiven. But it will get you out of debt quickly, and if you owe more than you could possibly repay under normal circumstances, it may be worth pursuing.

Bankruptcy

If nothing else works, there's always bankruptcy. Filing bankruptcy is something that no one wants to do, but sometimes it's the only way to get out from under your debts. Depending on the type of bankruptcy you file, you might end up losing some of your assets. But once all of the conditions have been met, you will be completely debt-free.

Filing bankruptcy should always be your last resort. If you're proactive about getting your debts paid off, you can usually do so without having to turn to the legal system. In the case of holiday debts, it's rare that someone would have to file bankruptcy just for that. But if you were already in financial trouble before the holidays, spending too much on Christmas and New Year's could put you over the edge.

How to Avoid Going Over Budget Next Holiday Season

We discussed how to determine your reasons for going over budget early in this report. That is the first step in making sure that it doesn't happen again. Here are some more tips that will help you remain in good financial shape the next time Christmas rolls around.

* Start saving up for the holidays as early in the year as possible. For those who didn't overspend on the previous holiday season, starting in January is a good idea. But if you have to

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pay off debts you ran up over the holidays, you'll probably have to wait until they're all gone. Whenever you start, figure up how much you'll need to save and divide it by the number of weeks until the holidays. Save that amount each week, and when it's that time of year once again, you'll have plenty of funds to work with.

* If your bank has a Christmas Club, sign up for it. Many small community banks offer this kind of account. It's basically a savings account in which you deposit a certain amount each week or month and withdraw the balance during the holiday season. The simple act of signing up could be all the incentive you need to save.

* Take advantage of the post-holiday sales, but don't overdo it. You can find lots of great holiday items at huge discounts after the holidays are over. This is a great time to buy Christmas gifts and decorations for next year. But just as it's important to make a list and stick with it before the holidays, it's important to do so at after-holiday sales, too. Otherwise you could end up with a haul of great deals on things that you won't use. And no matter how much of a discount you got, you're still wasting money.

* When you're out shopping for the holidays, leave the credit cards at home. If all you have is cash, your checkbook or your debit card, then that's all you can use. Those credit cards can't get you in trouble if they're tucked away safely at home.

* If you do your holiday shopping online, use your debit card. It doesn't offer as much protection against fraud or merchant disputes as your credit card, but if you have trouble controlling your charging, you're still much better off.

* Keep a running total of your holiday spending. Knowing how much you've spent so far can alert you to trouble before it gets out of hand. Just as you write down the amount of each check you write as you write it, write down every dollar you spend on the holidays as soon as you spend it.

Holiday spending can put a major damper on the new year. But it doesn't have to leave your finances in shambles. If you make getting back on track a priority, you can get your debts paid off and avoid spending huge amounts of money on interest. So don't let a holiday debt hangover ruin your outlook. Put those debts behind you and get on with your life!