

For happy holidays, leave credit cards home

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At this time of year, I'm duty-bound to deliver a fire-and-brimstone sermon about the evils of spending too much during the holidays.

Don't spend more than you can afford.

Make a budget!

Compare prices!

Leave your credit cards at home!

Obey, or find yourself in the personal-finance doghouse.

Of course, I don't have to commit all these deep financial insights to memory. As the holidays begin, I'm flooded with news releases on the subject.

So the other day, I waded through a raft of them to see if there were any tips that were not stupefyingly obvious. I found a few things worth mentioning.

"Studies show that people who use credit cards to buy gifts spend an average of 30 percent more than people who use cash," says the Consumer Credit Counseling Service, a nonprofit outfit.

In other words, leave your cards at home and you'll likely spend less.

This statistic is open to question, though, since some of those who spend cash probably are poorer people who don't have credit cards.

In any case, we don't know whether the people who spend less are any happier.

Nonetheless, there's a sound principle here: If you make spending harder, people spend less. There's more psychological pain in peeling off twenties than in handing over a credit card. We just hate watching that wad get slimmer.

At any rate, the goal isn't necessarily to spend less, it's to not spend more than you want to. Using cash would seem to be a good strategy.

Unfortunately, that isn't always an option. For many online purchases, for example, you have to use plastic – although plastic debit cards are a good alternative. These draw from your bank account, so you don't risk spending more than you have or building up high-interest debt.

For those who must use credit cards, Consumers Union, publisher of Consumer Reports, offers pointers on the sneaky ways card companies run up fees.

Did you know, for example, that if you are late making payments on one card, the interest rates can go up on your other ones? It's because your credit score dropped.

Also, card companies have taken to sending monthly statements closer and closer to the due date, increasing their prospects of collecting late-payment fees.

If you use a credit card to get cash from an ATM, the interest rate on the withdrawal will be higher than on ordinary purchases.

If a charge pushes you over your card's credit limit, the issuer may not deny the charge but may tack on a fee of up to \$39.

And if you transfer a balance from card A to card B, there may be a grace period during which you pay no interest on the transfer. But your payments will be applied to the transfer first, allowing interest charges to pile up on any new charges.

Fortunately, it's easy to avoid all the credit-card pitfalls. First, keep track of how much you are spending. Do it with pencil and paper, online or by phoning the card's customer service number every few days.

Second, pay your balance in full every month. Credit cards should be used for convenience, not as a source of borrowing.

Lots of holiday-spending advice dwells on the benefits of shopping around, which has become a lot easier with online shopping.

Obviously, it's important to do this early, to leave time for shipping. And it's important to consider shipping charges before deciding whether to buy online or at the mall. Also, an out-of-state merchant may not charge sales tax.

This year, there seems to be more interest in services that automatically compare prices for a given item offered by a variety of retailers.

This is just great. To make the most of it, compare prices reported by several services. Some of them are: www.pricegrabber.com, www.bizrate.com, www.mysimon.com, www.bestwebbuys.com.

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