Post-Holiday Debt? You're Not Alone

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"This is the last time I'm starting a new year saddled with credit card debt," says Tiffany, a 48-year-old computer analyst. "I've said this every January for the past five years. This year, I've got to keep this promise to myself. I don't want to spend another 12 months catching up, only to fall behind all over again. I can't take this stress anymore."

Tiffany's resolve for a healthier financial future isn't uncommon in the weeks following the holiday season. According to Manulife Bank of Canada's 2020 Debt Survey, 46% of Canadians say that debt negatively impacts their mental health every day.[1] Given that 85% of shoppers plan to use their credit card to purchase holiday gifts[2], it's not surprising that many people start their new year with a debt hangover. The good news is that you don't need to end the year in debt. Here are some strategies that could help put you in the driver's seat of your financial life, post-holidays and beyond.

Put your credit cards away

Start by taking your credit cards out of your wallet. Don't put them back until you've paid off your balances.

Don't shop the post-holiday sales

Now is a good time to stay out of retail stores, no matter how alluring the bargains may be. Instead, apply what you'd purchase to your credit card debt and distract yourself with something to do that doesn't cost anything.

Create a plan to pay off your debt

If you have more than one credit card, pay off the card with the lowest balance first. You can do this by increasing your monthly payment while paying the minimum on your other card(s). Once the first card is paid off, apply that payment to your next lowest balance card, and so on until every balance is zero. This is short-term pain for long-term gain because once you've paid off your cards, you can put that money into savings.

Set up a monthly or weekly budget

Reaching financial goals begins with small steps, the most important of which is knowing what it costs to live and setting up a plan to live within your budget. Doing all you can to stick to it while, ideally, putting away what you can for an emergency fund isn't easy, but the payoff can be a lot less worry in your daily life.

Start saving for the next holiday season

If you know what you spent on the previous holiday, start a savings account and contribute to it regularly so that you're not facing the same situation next year.

Find an ally

The good news is that you don't have to do this on your own. CONTACT OUR OFFICE [1] we will be happy to be your ally as you reset your financial life for a new year. We can offer empowering strategies and tools to get you started and help keep you on the path to a healthier - and happier - financial future.

Sources:

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2. 2020. Retail Insider. "Holiday Spending in Canada Expected to be Down 30%: Study". https://www.retail-insider.com/retail-insider/2020/10/holiday-spending-in-canada-expected-to-be-down-30-study/ [3]

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