

Why Do People Get So Nutty Around Christmas?

By Ramit Sethi

What the hell is wrong with people?

When Christmas time comes around, does all common sense go out the window? I've said before that most people are unsophisticated about their spending anyway, so Christmas is like a blind man getting poked in the eye with a habanero-tipped pitchfork. It just makes bad matters worse.

I'm not sure what's going on, but apparently ever since Jimmy Carter wore a sweater on television and told people to conserve energy, everyone's been afraid to tell other people to simply stop consuming so god damned much. Instead, pundits recommend the most convoluted things for saving energy and money. Install solar panels on your home! Get 3 jobs – you can work from home for one of them! Invest in gold!

The screenshot shows the CNN Money website interface. At the top, it says 'The internet home of: FORTUNE Money BUSINESS 2.0 FORTUNE' and 'Subscribe to Money! Free Trial'. The navigation bar includes links for HOME, NEWS, MARKETS, TECHNOLOGY, JOBS & ECONOMY, PERSONAL FINANCE, LIFESTYLE, REAL ESTATE, SMALL BUSINESS, and LISTS. The main content area is titled 'Holiday Money 2006' and features several articles with images and headlines. On the right side, there is a 'SHOPPER'S ALERT' section for Black Friday and a 'GET STARTED' section for the University of Phoenix online program.

Well, guess what? When it comes to Christmas gifts, less consumption is the right answer, and I don't really have anything to lose by telling it straight. Sorry if it's unpopular, but it's idiotic to try all these machinations to stop what you can control anyway: less spending, especially when you can't afford it. And I mean that in more ways than finances.

I hate CNN Money so much. Maybe this is part of the reason why people get so stupid in December. Note the especially lovely article in the top-right corner: "Ready, set, shop!" Indeed.



This isn't going to be just another article about sticking to your budget for the holidays. See, I have a friend whose behavior I was able to change recently, so I decided to share what I said to her. This friend has over \$3,500 in credit card debt, yet she continues buying shoes that cost \$300 or \$400.

But wait – don't write her off just yet. She's not just an irresponsible one-dimensional character. She's also incredibly detailed on her budget, earns a great living, is extremely frugal on most things (her food costs are astronomically low, for example), and she's reduced her debt from over \$10,000 just a year ago. She just has a weakness for shoes – and for giving other people gifts.

Now, I don't know about you, but most of my friends don't get each other birthday or Christmas gifts.

She does. In fact, she bought me a really amazing present for my birthday, and she's always taking gifts to people's housewarming, etc. So when the holidays came around, I was interested to see what she'd do.

"Man, I'm going to buy my family the best gifts this year," she said, providing me the answer, and an ulcer.

The average American will spend over \$900 on Christmas gifts in 2006.

A lot of this comes down to self-worth and emotions, something I haven't talked about *iwillteachyoutoberich* very much. But when you see someone spending so irresponsibly, there's usually something behind it. Maybe a spending pattern by other family members? Maybe low self-worth? There's something going on here.

I don't understand why so many people treat Christmas like it's a huge exception to their budget (if they even have one). The smartest people I know started putting away an extra \$50/week for the past few weeks, and now they have enough money to spend on the gifts they want to buy. Unfortunately, too many people don't plan ahead – even four weeks ahead – and when it comes time for Christmas, they just shrug and buy over \$900 of gifts. (Yes, that's the average amount Americans will spend on Christmas gifts in 2006.) Then in January, they realize with dread what they've done and they end up spending the next few months playing catch-up, often at exorbitant interest rates.

Is any of this new? I don't think so.

I asked my friend why she did this, and she was very honest in her answer. She felt good knowing she



was making her family happy, even though it was at the expense of her own finances.

But here's something new. It's what I hope you'll do this year if you didn't plan ahead for Christmas gifts, and it's what I encouraged my friend to do. Why not say, Dear Mom, this year I'm not going to get anyone Christmas gifts. Instead, I'm going to tell you how much I love you, and I'm going to get my finances in order. By June of next year, I'm going to have all my debt paid down, a new Roth IRA started, and I'll have my asset allocation planned for my new income that I was paying towards debt, plus my mid-year bonus. That's my gift to you.

What parent wouldn't be thrilled to hear that? What sibling wouldn't be utterly happy that you were being financially responsible with yourself, instead of buying overpriced gifts that you can't afford? I can't think of a better time than Christmas to tell everyone you're going to start respecting yourself more financially. My friend took a hard look at herself and agreed to think about her long-term happiness. Yes, she could make her family happy with some new presents this month. But wouldn't they be happier if she took care of herself instead of buying some stupid meaningless things for them?

Is this you? Or do you have a friend who does this every year? If so, do me a favor and let them know there's another way.

