

FINANCIAL ADVICE

Festive cheer could lead to more debt

WITH the Christmas season upon us, consumers have started turning their minds to thoughts of celebrations, buying and receiving gifts, and travelling to holiday destinations.

As expected during this time of year financial overindulgence seems inevitable, as does a *de rigueur* spending hangover, with the potential to last well into the new year.

But according to Hein du Plessis, managing director of leading debt counselling institution Debt-Safe, this doesn't always have to be the case.

"It's all about planning," he said.

Du Plessis believes that by following a few simple steps consumers will ensure the new year starts on a clean slate, free of any unnecessary financial burdens from the festive season.

His top tips:

□ **Compile a budget and stick to it:** Work out how much regular expenses like house, car, and groceries cost you each month, and subtract the total from your take-home pay.

The amount left over if budgeted correctly is what you can safely spend on other spoils, such as Christmas gifts.

□ **Set spending limits:** Once your monthly budget has been examined you can calculate how much you can realistically afford to set aside to purchase gifts for loved ones.

□ **Decide where to shop:** It's important to decide what you are buying each loved one and imperative that you take your time to compare costs of products for retailers.

Peter Atkinson, the national technical portfolio manager at the Financial Intermediaries Association of Southern Africa, also points out: "Those who are lucky enough to receive an annual bonus should resist the urge to spend the money and instead channel as much as possible into the payment of debt to ensure a smooth financial transition into 2012.

"When considering which debts to pay off, there are four questions consumers can ask themselves: which debts are most pressing and threatening to result in potential additional costs if not serviced immediately; which carry the highest interest rate; which do not carry any penalties or added costs for early settlement; and, which are at a stage where the settlement amount is reasonably low in relation to the regular monthly payments?" Atkinson said.

According to the Bureau of Economic Research and Ernst & Young, the festive season is set to be a merry one for retailers this year, with sales volumes for the final quarter trumpeted to be as much as 7% higher than the same period last year.

This is good news for retailers, but less so for consumers.

Stanlib economist Kevin Lings cautions that South African consumers are facing increasing strain when it comes to disposable income.

"This is due to a range of cost-push factors that are systematically eroding the household sector's discretionary spending power.

"These include higher energy costs, transport costs, food costs, education fees, medical service costs and water costs," he said.

This would explain the South African Council of Shopping Centres's view that shoppers were looking for value for money..

"They are both extremely price and quality conscious and want to get the most from their hard-earned money.

"Festive consumer spending was set for marginal growth in 2011," general manager Amanda Stops said. – (I-Net Bridge)

Follow simple steps to ensure new year starts on a clean slate