



# Extension News Column

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*University of Alaska Fairbanks, Cooperative Extension Service, [www.uaf.edu/ces/](http://www.uaf.edu/ces/)  
[fycit@uaf.edu](mailto:fycit@uaf.edu), 907-474-5211, FAX 907-474-6885*

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**To:** Mary Beth Smetzer, community news editor, News-Miner, 459-7546 (wk), 452-7917 (fax), [msmetzer@newsminer.com](mailto:msmetzer@newsminer.com), and [people@newsminer.com](mailto:people@newsminer.com)  
**From:** Roxie Dinstel  
**Re:** Pinching Pennies to run Mondays on page A-3  
**Additional Contact:** Debbie Carter, information officer, 474-5406, [dscarter@alaska.edu](mailto:dscarter@alaska.edu)

According to the National Retail Federation, nearly 40 percent of consumers had already started their Christmas shopping before Halloween.

But a less stressful Christmas should be celebrated with a budget. A survey by Consumer Reports shows that 14.1 million or 6 percent of Americans are still paying off credit card purchases from the 2010 holiday season. This is an increase in those still paying off Christmas purchases from 13.6 million in 2009.

Last year, approximately half of Americans charged at least some of their gift purchases, according to the Consumer Reports survey. Credit cards provide an easy way to buy, but they must be used with caution, especially around the holidays.

As you prepare to do your Christmas shopping, how will you choose to pay? The usual methods of payment include credit, debit, check or cash. There is psychology involved in your purchasing. Research shows that it is easiest to spend money with a credit card, because it doesn't seem like you are spending. It is followed by debit, which is a little more painful because you know you are spending from your account. It is harder yet to write a check, but the hardest method to pay for something is to pay for it with cold hard cash. Those who pay with cash, on average, spend 20 percent less than those who pay with a credit card.

Use this knowledge to help you navigate the holiday season. Here are some tips to think about as you set up your Christmas shopping:

- **Pay cash.** If you know that you've had trouble in years past, do a cash-only Christmas. Set a limit, take that money out of your credit union or bank, and when that money's gone, it's over. You can even take it one step further and use the envelope method. Allocate an amount of money for each gift and put that money into separate envelopes marked with the recipients' names. Spend no more than what you have allocated. This works best if you leave credit cards and debit cards at home, so you aren't tempted to spend.

- **Think of credit cards as short-term loans.** Ideally, you'll want to pay everything off immediately. Have a choice of cards? Always use the card that offers the lowest interest rate. A good idea is to track your credit card spending just as you would if you were writing a check. Remember: It's really easy in the flurry of the holiday spending to not keep track of your totals.
- **Use a credit card rather than a debit card for online purchases.** There are several very compelling reasons for this. First, only credit cards provide consumer protections under the Fair Credit Billing Act. Under this federal law, your liability for fraudulent or disputed charges on credit cards is limited to \$50, and you have the right to dispute charges and withhold payment while the charges are being investigated.

In addition, if the merchandise delivered is defective or not in the condition "as agreed," you have the right to send it back to the merchant and deny the payment to them. Try getting your money back from a difficult merchant after you've paid by a check!

Even though banks advertise that their debit cards provide comparable protection, they are not required by law to do so. Your liability for fraudulent charges on a debit card can be as high as all the money in your account and your credit line, depending on when you report the fraudulent or disputed charges.

Finally, many credit cards also provide benefits such as requiring merchants to exchange or replace defective or damaged merchandise, protection against no return policies and extension of manufacturer's warranty — this is particularly valuable when buying and shipping fragile gifts (such as a digital camera or a DVD player) to your family across the country.

So, this year as you begin to do your Christmas shopping, consider how you are going to pay. It will make a difference in how much you spend.

**Roxie Rodgers Dinstel is a professor of extension on the Tanana District Extension Faculty. Questions or column requests can be e-mailed to her at [rrdinstel@alaska.edu](mailto:rrdinstel@alaska.edu) or by calling 907-474-2426. The Cooperative Extension Service is part of the University of Alaska Fairbanks, working in cooperation with the U.S. Department of Agriculture.**