

Should you use credit for holiday buying? Yes, no and maybe

Written by Editor

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(ARA) - When it comes to the use of credit to fund holiday shopping, people tend to fall into two extremes of thought. Some believe in a cash-only approach to holiday spending, while others think it's impossible to get through the holidays without maxing out their credit cards. So, how do you make decisions about credit use that will keep your holiday season bright without putting a damper on your personal credit and cash flow in the months - and possibly years - to come? The credit experts at Experian offer a few tips:

1. Establish a budget - The holidays arrive at the same time every year, and we all have 12 months to plan for them. Give yourself a very early gift, and start your holiday budgeting in January of each year. Decide how much you'll spend on holiday gifts and how much you'll need to save each month to accrue that amount by the time the holidays arrive. Set that amount aside in an interest-bearing account.
2. Keep your credit under control - Although incentives from credit card companies can help save you cash during the holiday season, those incentives may not be a good enough reason to open a new account. Don't be tempted to open new accounts in order to fund your buying or to get a discount or better deal. Opening too many accounts in a short time frame can negatively impact your credit score. Instead, look for incentives from cards you already have and use.
3. Don't spend beyond your means - It can be tempting to overspend on credit cards, especially during the holidays, thinking you're just spreading the cost of your purchases over a few months. Remember, when you buy on credit and take more than a month to pay off the balance— you're not just spreading out the cost, you're increasing it. The same holds true for those tempting low-APR promotional checks sent by credit providers. The vast majority of those promotions incur fees, thereby increasing your total purchase price while potentially simultaneously damaging your credit profile. If you can't afford to pay off your balance in a month or two— and minimize the cost of using credit— then you probably should reconsider how much you're spending.