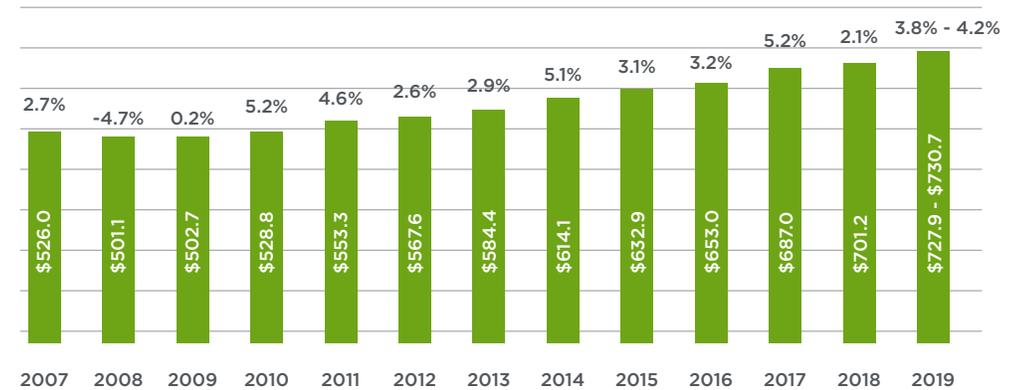


'TIS THE SEASON FOR HOLIDAY SPENDING TIPS

Overview

The National Retail Federation (NRF) projects the usual robust retail sales during the upcoming holiday season. The NRF reports shoppers are starting early this year, with more than one-third making holiday purchases even before Halloween. They also are expected to spend on an average of \$1,047 per person,¹ continuing an annual upward trend that began at the end of the recession in 2009.

Holiday Sales Since the Recession² (in billions)



Who says you have to wait until Black Friday to start your holiday shopping? One good way to avoid the holiday rush and take advantage of lower prices is to shop and mail early, then sit back and enjoy your newfound free time at the end of November with family and friends. Read on for more holiday season spending tips.

Economic Indicators

Despite economic worries caused by trade, interest rates and global risk factors, consumer confidence remains strong. The Trump administration's trade war with China continues, but the next round isn't scheduled until Dec. 15, so it might be wise to get your shopping completed early this year. In 2018, the bulk of consumers were unaffected by tariffs during the holiday season, since the initial tariffs were imposed on industrial goods. Shoppers may feel the pinch of this upcoming round, however, which includes popular gift items such as smartphones and sporting equipment.³

"There is significant economic unease, but current economic data and the recent momentum of the economy show that we can expect a much stronger holiday season than last year. Job growth and higher wages mean there's more money in families' pockets, so we see both the willingness and ability to spend this holiday season."⁴



Debt: A Cautionary Tale

Consumer debt is attributed as a factor that led to the most recent recession. In 2008, national household debt reached \$12.68 trillion, a record high at the time. At the end of the second quarter in 2019, the total was up to \$13.85 trillion. While those numbers include mortgage and other types of financial liabilities, credit card balances currently represent \$868 billion of the nation's consumer debt.⁵

A continued low unemployment rate is one of the drivers of consumer confidence. As long as we have regular income, we tend to charge freely, knowing we can pay the credit card bill when it comes in. However, there are plenty of economic indicators that point to a recession in the not-too-distant future, so this holiday season may not be the best time to overspend.

Spending Tips

Whether your household is flush with cash or counting pennies, it's always a good idea to be pragmatic when it comes to holiday spending. Consider the following tips to strategize ways to give thoughtful presents without overdoing it this year.

Set Limits

Try to set an overall budget for holiday spending. Make a list of all the people you want to give to and a line item amount for each person. One pitfall is finding a good deal for an item, then feeling like we should buy another gift because we have leftover money budgeted for that person. Don't do that. Remember that it's the thought that matters, not the price. If you've chosen a thoughtful present, there's no need to reveal how much you paid for it.

Also remember to budget for non-gift holiday expenses, such as wrapping paper, holiday cards, a tree, yard decorations, mailing presents, traveling to visit relatives and additional grocery purchases. As of Oct. 18, the U.S. increased tariffs on a selection of European products, including gourmet cheeses, wine and spirits. It may take a month or two, but local buyers and distributors for large retailers report they expect to increase prices by the end of the year.⁶ Here, too, the key is to buy these items earlier rather than later this holiday season.

By writing down all the extra expenses you expect to pay out by the end of the year, it's easier to set limits and monitor your spending.

Shop During Sales

While Black Friday tends to yield the greatest savings, that's not the only option. Consider shopping online for sale prices. Many online retailers have started offering sale prices as early as Thanksgiving week, extending on to Cyber Monday.



If there are young children on your gift-giving list, remember they typically don't care where you bought your present. That means you can skip the expensive merchants and take advantage of lower prices at discount retailers like Walmart, Kmart and dollar stores. If the kids on your list want popular items this year, be sure to shop early before they run out, and coordinate with other relatives so your gifts (and efforts) aren't duplicated.

Think Outside the Box

Some of the most treasured gifts are the ones least expected. If you have crafting or artistic skills, you could create handmade gifts, such as crochet accessories, quilts, jewelry, paintings, painted pottery, fishing lures or a unique lamp. Look through photographs, past or present, to see if any would make highly personal gifts. Consider framing them, or making posters, mugs, travel photo books and other options from online photo processing websites.

If you're not a crafty person, you can purchase handcrafted items at local art galleries, farmer's markets, holiday fairs and websites such as Etsy.com. If someone on your list is a collector, search for like-items at places like eBay and Amazon Marketplace.

Think about moving away from goods and more toward services. Perhaps a spa day or a weekend getaway package is just what your loved one can use. For people you don't know well, consider a gift card to a movie theater or restaurant franchise.

Mailing and Shipping

If some of your gifts are going out of town, be sure to factor in shipping costs when you decide what to buy. All things even, think small in size and light in weight. Use newspaper to protect boxed items instead of buying expensive bubble wrap, with the added bonus that it can be recycled on the other end.

According to Consumer Reports, the U.S. Postal Service is typically the least expensive way to ship packages. Mail early and/or choose the slowest time of day so you won't have to wait in a long line.⁷ If ordering online, plan for your gifts to be delivered directly to the recipients.

If you're getting online items delivered to your home, try purchasing as many gifts as you can from one retailer in order to take advantage of any free shipping deals. The company may set a benchmark, such as free shipping for all orders over \$75.

Final Thoughts

'Tis the season to be merry, not worried about money. One objective may be to pay off all of your holiday expenses by the end of the year so you can start January with a clean slate. It feels good to be generous, but not to overspend. It can also feel good to buy great gifts and host a festive experience without spending a lot of money. Let that be your goal for this holiday season.



¹ Daniella Genovese. Fox Business. Oct. 30, 2019. "Is it too soon for holiday shopping?" <https://www.foxbusiness.com/markets/too-soon-40-of-americans-embark-on-holiday-shopping-before-halloween>. Accessed Oct. 30, 2019.

² National Retail Federation. Oct. 3, 2019. "NRF forecasts holiday sales will grow between 3.8 and 4.2 percent." <https://nrf.com/media-center/press-releases/nrf-forecasts-holiday-sales-will-grow-between-38-and-42-percent>. Accessed Oct. 29, 2019.

³ Allison Steele. The Philadelphia Inquirer. Oct. 11, 2019. "Tariffs mean wine and cheese could cost more this holiday season." <https://www.inquirer.com/news/trump-tariffs-wine-cheese-olives-di-bruno-bros-moore-brothers-severino-pasta-20191011.html>. Accessed Oct. 29, 2019.

⁴ National Retail Federation. Oct. 3, 2019. "NRF forecasts holiday sales will grow between 3.8 and 4.2 percent." <https://nrf.com/media-center/press-releases/nrf-forecasts-holiday-sales-will-grow-between-38-and-42-percent>. Accessed Oct. 29, 2019.

⁵ Federal Reserve Bank of New York. Aug. 13, 2019. "Total Household Debt Climbs for 20th Straight Quarter as Mortgage Debt and Originations Rise." <https://www.newyorkfed.org/newsevents/news/research/2019/20190813>. Accessed Oct. 29, 2019.

⁶ Allison Steele. The Philadelphia Inquirer. Oct. 11, 2019. "Tariffs mean wine and cheese could cost more this holiday season." <https://www.inquirer.com/news/trump-tariffs-wine-cheese-olives-di-bruno-bros-moore-brothers-severino-pasta-20191011.html>. Accessed Oct. 29, 2019.

⁷ Amy Livingston. Money Crashers. "5 Ways to Save Money on Holiday Gifts for Your Friends & Family." <https://www.moneycrashers.com/ways-save-money-holiday-gifts-friends-family/>. Accessed Oct. 29, 2019.

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