

Holiday budget tips

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For some people, December is the season for celebrating and this has become an expensive time of year. So much so that retailers call the last three months *The Golden Quarter*. Alongside newspaper and internet advertisements telling us to buy, buy, buy, come a plethora of articles on how to cut down on the expense.

At MBMG Investment Advisory, we're always open to new suggestions that can help you save. So, we've trawled through some articles on Christmas money tips. Here are the ones we like best – they're in no particular order because every client's situation is different.

Give money to charity

The last few years has hit the most vulnerable people hard. The result of the global financial crisis to date has been to make the rich richer and the poor poorer. In 2015 alone, the world's wealthiest 62 people by US\$542 billion; whereas the wealth of the bottom half fell by just over US\$ 1 trillion dollars in the same period – a drop of 41%.¹

Consequently, you may prefer to give to charity than buy presents. The difficulty is that there are thousands of charities out there; so it's important to take time to do a bit of research to ensure your money is being used in the way you'd like. It's also important to ensure that your donation goes directly to that particular cause.² Some charities are also happy to receive old clothes or other items. It's worth noting that not only can giving sometimes attract of tax benefits that reduce the cost of making charitable donations but also that there are hidden financial benefits to helping the needy that can also result in various types of payback – every extra \$1 or £1 or even €1 that is in the hands of those who are most financially disadvantaged will usually be immediately spent on necessities and create an economic 'trickle up' - a genuine positive phenomenon unlike 'trickle down' which only exists in works of fiction like supply side economic textbooks. So aside from improving the quality of or maybe even saving lives, as well as saving society costs while feeling better about yourself, you're also generating economic growth. Every extra \$1 creates between \$1.70 - \$2 of economic growth (compare this to tax cuts which typically reduce economic growth by roughly half the amount of the tax cut).

¹ *An Economy for the 1%*, Oxfam, January 2016

² <https://www.moneysmart.gov.au/managing-your-money/donating>

Free family calls

One of the good things coming from the evolution of the internet is the ability to keep in touch with family and friends cheaply and, in some cases, for free. Applications such as Facebook, Line, WhatsApp and Skype offer video and voice calling for free if both people have an account (which is also free to set up). The latter also allows you to make voice calls to normal telephone numbers anywhere in the world (check the rates: they can be competitive, depending on the landline or mobile plan you have).

Affordability over desirability

In this world of gargantuan household debt,³ it's worth thinking about how you will pay for the larger items before thinking how much you want to buy them. That's not as easy as it sounds, given all the temptations in the shops and on the internet – but it's important to keep priorities in mind.

Banning unnecessary Christmas presents

This sounds extreme but I don't mean putting a lump of coal or an apple in the kids' stockings. What I'm referring to is those gifts to friends, cousins three times removed and colleagues. Rather than wasting money on mutual obligation, it could well be a lot more satisfying to give them a call or meet up with them. Another way is to make a *NUPP* - *No Unnecessary Present Pact (NUPP)* with these people. If it's awkward to say this to someone, one website⁴ has even created the [NUPP Tool](#) - a free email generator. On the other hand, if you feel totally compelled to buy something, why not agree to a maximum spend or a Secret Santa.

Plan ahead

It may be too late for this Christmas, but when working out your budget for next year, it's worth recognizing that December is likely to be the most expensive month. With that in mind, two ways to avoid going over-budget are being realistic and spreading the cost.

By being realistic, I mean allocating more money for the last month of the year when calculating your monthly budget over the next 12 months. Another tactic is to spread the cost of gifts over several months. That way, you don't take the full hit inside one month. Buying presents in September may seem ludicrous, but you'll be thankful come December.

Make a list and check it twice

This may not be the most awe-inspiring activity but if you make a list of things you need to buy and the food you need to prepare, it could avoid you going way over-budget.⁵

³ http://www.bis.org/statistics/tables_f.pdf

⁴ [Moneysavingexpert.com](http://moneysavingexpert.com)

⁵ <https://www.moneysmart.gov.au/tools-and-resources/news/12-money-tips-for-christmas>

- **Presents** - list who you're buying for, what you want to buy, and how much money you've allocated for each person. For larger gifts, consider using paying a deposit up front in the months before Christmas, so you can pay them off over time.
- **Supplies** - list what you want to buy, and where from. Buy in advance where possible to take advantage of specials, especially if the items can be frozen or have a long shelf life.
- **If you are travelling** - list costs like flights, car service/tyre check, petrol and travel insurance and shop around for deals early.

It's also worth noting that in Thailand this year there is an income tax deduction of up to 15,000 baht for hotel rooms and package tours spending in December to promote domestic tourism, and a shopping tax break allowing consumers an income tax deduction of up to 15,000 baht on receipted domestic purchases of goods and services from Dec 14 - 31. ⁶

Track your spending

Once you start paying for things, keep a track of how much money you're spending as you go along. This could be done equally on a fancy colourful spreadsheet or just a notebook and pen. There are also several budget apps available for smartphones and tablets – even the Australian government has produced one, called [Track My Spend](#). I haven't used it, so I can't comment on its usefulness but what really matters is that somewhere you log each thing you buy, so that you know where you are financially.

Kids aren't necessarily retail snobs

It's a time-honoured tradition that parents buy an expensive gift for their young children, only for the little treasures to ignore the present itself and spend hours playing with the box. So, when you're in the shop ready to buy that super-mega-transforming-smartphone-controlled superhero or that dresses-itself-wets-its-own-nappy-wakes-you-up-in-the-middle-of-the-night doll, have a think about how long it will capture your little one's imagination. Perhaps building bricks and modelling clay are more durable.

Whichever festival you may be celebrating at this time of year, I hope you have a pleasant one. I'd like to thank you very much for your readership, in what has been an eventful year.

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⁶ <http://www.bangkokpost.com/news/general/1158465/cabinet-approves-b15-000-shopping-tax-deduction>

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