



Is Vacation Debt Weighing You Down?

How to save now for next year's getaway

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Your income barely covers your monthly bills, you just financed a new SUV, the kids need braces, and you have \$5,000 in consumer debt—but darn it, you work hard and deserve a vacation! Can you relate to this sentiment? As summer gets into full swing and your friends and coworkers rhapsodize about their upcoming cruises and road trips, it's easy to start thinking you have a "right" to a vacation of your own. And that, says financial planner **Diane McCurdy**, is when the temptation to whip out the credit card starts to seem reasonable.

"In our instant gratification culture, people really do feel entitled to a big summer vacation," says McCurdy, author of *How Much Is Enough? Balancing Today's Needs with Tomorrow's Retirement Goals* (Wiley, 2005). "They rationalize, 'Well, I work really hard and I need a break for my own mental health, so I'll just put this trip on the card or on my line of credit and pay it back later.'

"But what if your grandmother who lives across the country dies and you have to put that trip on the card, too?" she asks. "What if your heat pump breaks down and you have to replace it? What if you do finance the vacation and spend the whole two weeks stressed out about the money you're spending? It is rarely a good idea to go into [debt](#) unnecessarily—and vacation is NOT a necessity."

So does McCurdy suggest forgoing your summer fun entirely? Not at all. She merely believes that vacations should never be "charged." If you can't pay cash for your dream vacation this summer, then figure out an inexpensive alternative and postpone that lavish trip until next summer—and start saving for it right now.

Here is her three-step plan for breaking the vacation entitlement mindset:

Step 1: Find fun ways to recharge this summer without breaking the bank

A few ideas to consider:

- Vacation in your hometown. If you live in a big city or within driving distance of one, there are likely lots of local tourist destinations you haven't explored. Give them a try. You might be surprised how wonderful your own backyard really is.
- Instead of taking a whole week off, plan several long weekends. Use them to take the kids camping or go hiking in a local state or national park or check into a nearby bed and breakfast.

- Consider trading houses. If you live in the mountains and would like to visit the beach, consider trading houses with a seashore dweller. There are numerous Web sites devoted to helping you explore the wonderful world of house swapping.

"Be creative," urges McCurdy. "Get the whole family involved in brainstorming cheap or even free vacation ideas. You might discover that a day at the local water park is as satisfying to the kids as a week at Disney World."

Step 2: Start saving for next year right now

First and most obviously, you must create a [budget](#). The idea is that after you take care of your immediate financial needs, start paying down your debt, and create a savings plan for your future, the rest is yours to spend as you see fit. It's all about priorities and goal-setting. Here are some suggestions for building up your vacation fund for next year:

- Cut out all the little "un-necessities" that add up. Do you really need that \$5 latte every morning or could you make do with a thermos of home-brewed coffee? Could you switch to no-name detergent and/or clip coupons? Could you get rid of the gym membership and dust off that treadmill in the basement?

- Look for cheaper "entertainment" options. For instance, renting a movie instead of taking the whole family to the cineplex can easily save you \$40.

- Institute the "48-hour rule" before you buy anything. If you're tempted to make an impulse purchase—a big-screen TV or an expensive jacket—give yourself a couple of days to think about it. After the initial buying fever cools, you'll realize you can easily live without more "stuff."

- Consider taking a not-too-stressful part-time job. A night or two a week working at the bookstore or the occasional pet-sitting gig can help you fund your trip.

"These are just a few tricks that will help you save for a guilt-free vacation next summer," says McCurdy. "Just don't forget to factor in all the costs associated with the vacation: new swimsuits, taxi rides to and from the airport, dog boarding fees, whatever."

Step 3: When you are ready for your dream vacation, continue on the cost-cutting path

So let's say a year has passed and you have a nice vacation nest egg saved. Keep the thrifty mindset in full swing and you can wring the maximum pleasure out of your trip for the minimum amount of money. A few thoughts:

- Use traveler's checks instead of your credit card. It's easy to go a little crazy on vacation and start spending like there's no tomorrow. But if you've banned credit card usage, you'll have to limit yourself to "cash in hand" spending—and that makes you think twice before buying.

- If you're flying, pack lightly. You'll likely pay a fee for overweight luggage.

- Know your route from and to the airport. It will help you avoid being a victim of "creative" taxi routes.
- Limit yourself to one keepsake item for each family member. Does every member of your family really need five t-shirts and a backpack full of trinkets?
- Befriend the front desk people. They can direct you to the best places in town to eat, drink, and be merry (rather than pricey tourist traps). And you never know: a clerk dazzled by your friendliness might "upgrade" your room or offer a discount.
- Don't order room service. Don't eat or drink anything from the hotel mini-bar. Don't make phone calls from the hotel phone. Enough said.

"Finally, don't try to cram too many activities into the vacation," says McCurdy. "Allow some down time to sightsee or lounge around the hotel pool. Not only will you save money, you'll actually be able to relax—which is the whole point, after all."

"For many people, vacations are just one more way to keep up with the Joneses," notes McCurdy. "Even if you're not consciously trying to impress your neighbors or coworkers, you see them taking these lavish trips every year and it starts to seem 'normal.' It's not. If you can't afford a trip, it's an irresponsible choice, and if you have to charge it, then by definition you can't afford it."

"Chances are the Joneses are in hock up to their eyeballs and living paycheck to paycheck," she adds. "They're a financial planner's nightmare, and you don't have to live that way just because they do. So make your [budget](#), start planning ahead, and get busy saving. When you finally do achieve vacation nirvana, you'll be able to savor every moment—and you'll have gotten started on a saner, more financially sound way of life."

(Please e-mail any comments to Investor's Weekly at Investors.Weekly@fmr.com.)

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