

Here's How Guilt Giving Can Wreck Your Budget — and How to Avoid It

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People give gifts for various reasons, including marking an occasion or event or showing love, thoughtfulness and caring.

This year, there may be another reason behind a lot of gift giving: guilt.

The NPD Group's annual holiday survey, conducted in September, showed 40% of the 3,429 respondents planned to buy more gifts than usual because of COVID-19. The goal is to bring joy to their loved ones, but it's possible that many people may buy gifts to help them feel less guilty about not being with their loved ones during the holidays.

This dynamic is called “guilt giving.”

“Guilt is a weird thing that crops up for all kinds of people in all kinds of ways, explains Kathryn Summers, a psychotherapist in Durham, N.C. “Any time people feel out of control or things feel kind of chaotic or scary, some people have a response where they just feel responsible for it and therefore guilty.”

Summers said people don't usually consciously decide to spend or do more to relieve their guilt; it's usually unconscious.

“You don't actually know that's why you're spending more than you usually would,” she said. “It's more like, ‘It would feel good to me if I buy you something extra special.’”

When Generosity Puts a Strain on Your Finances

Being too generous could put strain on your finances.

“What makes me most nervous is just the amount of people out there that want to show people how much they love and appreciate [their loved ones], but not feeling like they’re in a position to do so,” says Scott Henderson, an accredited financial counselor (AFC®) and founder of Simplifinances.

Henderson said it typically takes people about nine months to pay off their holiday spending, and that this may be even more pronounced this year.

“I think we’ll see an increased number of people who may be spending money they don’t have to buy gifts for people to try to make the holidays the best they can be, because it has been a hard year,” he said.

The extra spending may seem small in comparison, but Henderson says it can end up costing a lot.

“It can become a vicious cycle for a lot of people where it’s really, really hard to get out of once that credit card balance is accumulating,” he said. “And you go a month and you can’t make the payment so you start paying interest. Interest can be crippling for a lot of people.”

Henderson also warns people about “revenge spending,” which happens when people try to rationalize the fact they haven’t been able to do or spend what they wanted to this year.

“The holidays are kind of like this, ‘I’m just going to blow it. I’m just going to revenge spend and I’m just going to buy whatever I want for whoever I want right now because I deserve it,’” he said, adding that he thinks it’s a common mentality.

But it’s a mentality that can have serious consequences.

“It’s maybe not \$100 that you spend on a gift in December, but maybe you’re carrying a balance over from November, and because you’ve now added a bunch of unexpected expenses, you now have an even higher balance in January that you’re stressed about and you can’t pay off,” Henderson said.

He points out that a person in this situation ends up paying more than that initial \$100 because of interest, and that’s on top of the balance from November that wasn’t paid off.

“It just kind of turns into this downward spiral,” he said.

How to Avoid Guilt Giving

How do you balance both your budget and your giving spirit?

First and foremost, Henderson recommends making a budget and figuring out how much you can afford to spend.

“You just need to understand what you’re capable of doing this year within your limits,” he said. “And maybe if it’s not spending as much money, maybe it’s more of what gifts, could you give as a service if you don’t have the money.”

For instance, helping with a home improvement project or talking on the phone are ways to show love and generosity without spending money.

It’s also important to dig a bit deeper about why you’re giving the gift, especially if the gift is out of the norm for you.

“Within a relationship, there’s a history of gift giving,” Summers said. “Whether it’s a friendship or an intimate partnership, or a family, there tends to be context of this is how we tend to exchange gifts.”

She said an example of out-of-the-norm gift giving could mean that you normally give your friends cute coffee mugs, but then you suddenly give them \$200 pajamas.

“If the gift comes and it’s way out of that typical context, it might cause some confusion,” she said.

To reduce that confusion, Summers recommends acknowledging that the gift is different than in years past, and explaining why.

“I know this isn’t typically what we do, but I’m sending this to you because you were on my heart and mind this year, and I want you to know how important you are to me even though we’re separated,” she offered as an example of how to have this discussion.

Being aware of your own motivations is the key to avoiding guilt gifting.

“What am I looking for? Am I looking for a specific response from the other person, or am I doing it because it feels good to me to give?” Summers says to ask yourself. “If you’re looking for a specific response from the other person, you’re setting yourself up for failure because we can’t predict how other people’s responses are going to go.”

Summers and Henderson suggest asking yourself a few questions about why you want to give a gift, especially an extravagant one.

- Why do I feel the need to give this gift?
- Will I regret this purchase after I buy it?
- Will I resent buying this gift if the recipient doesn’t reciprocate?
- Do I think this gift will make up for something?

Summers also reminds us that gift giving this year can serve another purpose.

“Maybe it’s not always based in guilt,” she said. “But maybe because we can’t connect in person, we’re trying to find other ways to connect, and so maybe gift giving this year is more important, not necessarily out of guilt but just as a desire to connect.”

Tiffani Sherman is a Florida-based freelance reporter with more than 25 years of experience writing about finance, health, travel and other topics.