

VACATION BUDGETING



Vacation Budgeting

The ideal vacation would comprise frugal fun without sacrificing enjoyment and comfort. However, after factoring in luggage fees, fuel costs, hotel and car rentals (if needed), it can seem impossible to find a good vacation deal that fits within your budget.

According to [AARP](#), in 2019, Baby Boomers planned to spend an average of \$6,600 on vacations, Gen Xers \$5,400, and Millennials \$4,400. Whether or not this is expensive depends on how much you have available to spend.

Everyone needs a break now and then, and it's possible to take one on a budget. But when your vacation leaves you with a stack of bills, it's hardly relaxing! Next time, plan a vacation that will leave you with good memories instead of debt.

Use our roadmap to plan a vacation that won't bust your budget.

What Do You Really, Really Want?

First, decide what kind of vacation you really want. Do you want to sightsee? Or would a few days of doing as little as possible be more appealing? Are you looking for adventure? Or is luxury what you're after?

Take the time to really think about what kind of vacation you want so you can plan accordingly. If you're traveling with family or friends, ask them for their input, so everyone gets a little of what they want.

Plan for Savings

Using a credit card or taking out a loan to pay for your vacation should only be an option if you can afford to pay it off before interest compounds. Instead of potentially going into debt, plan so you have time to save for your trip. The better you plan your budget, the better your vacation.



If you have kids, make sure they participate in the planning. Together, you can research destinations, costs, and set daily spending limits. Here are three steps to take to plan your vacation budget.

Step 1: Figure out what you can afford

When you are planning a vacation, you should set aside an amount every month in a vacation fund so that way you know you have the money to pay for your vacation without going into debt. After taking care of your fixed and flexible expenses (including your emergency savings) figure out the amount you can save for your travel and vacation expenses.

Step 2: Put a plan in place

Once you have a clear idea about what you can afford it's time to start your vacation savings fund. Set aside a certain amount each month or each paycheck. Even a small amount can go a long way if you plan carefully. There are also automatic apps you can use like:

- **Digit**: This micro-savings app can help you save passively. When it sees you have extra money, it automatically

transfers it to your Digit account. Another bonus is its FDIC-insured (insured by the Federal Deposit Insurance Corporation) up to \$250,000. There is a \$5 monthly subscription fee, and you can withdraw your funds whenever you need them.

- **Qapital:** Most of the time you shop, you're likely to have change. Qapital helps you save it. It rounds purchases up to the nearest dollar and saves the difference. Also, you can set savings goals and fine yourself for breaking personal rules. You don't have to pay monthly fees and can gain interest on your savings.
- **SmartyPig:** You can use this free app to set savings goals and schedule deposits. There's also the opportunity to earn interest on whatever you save.

Step 3: Create a budget

Once you have your travel fund saved up it's time to put together a budget that you'll use while on vacation. At this stage, it's key to think about what aspect of the vacation is most important to you. For instance, if you're big on sightseeing, you may decide to allocate more money to guided tours and opt for a cheaper hotel.

Come up with estimates for items that you want to spend on. Write a list of every expense you can think of from plane tickets down to souvenirs. Then, allocate dollar amounts to each item on the list. If you have children, don't forget to include them and give them a budget too. It's a chance to teach them about money management and it can help prevent them from asking for everything they see.

You'll find our vacation planning worksheet at the end of this

guide. Use it to help you develop your vacation spending plan.

Looking for Saving Opportunities

Once you have a budget in place, it's time to move on to more exciting things, like finding bargains and saving opportunities for your trip. This can be an insightful process as you find deals in places you probably wouldn't think of.

Some people decide to do a package deal so they don't have to book accommodations and flights separately. If you opt to do this, check the cost of the individual components of a package against the package price. One may be cheaper than the other, depending on the destination and time of year.

If you'd rather book each aspect of your trip on your own, here are some cost-saving tips.

Accommodations

Unless you know someone at your vacation destination, you'll need to find accommodations. This can easily be one of the more expensive vacation costs in your budget if you're not careful. Find a few ideas for minimizing accommodation costs below.

Online discounts

Shop online for discount accommodations, but don't stop there. Call the hotel or resort directly to ask about discounts. Some websites offer discounts you can't get elsewhere, but be careful about offers that are "too good to be true." Check their refund policies in case you aren't satisfied and only deal with reputable companies with secure websites.

Apartment vs. hotel

Sometimes apartments work out cheaper than hotels. Use platforms like [Airbnb](#) to find local apartments. You may find choosing one in a non-tourist area saves you even more money. However, it could mean spending more on transportation if you're far from tourist attractions, so weigh out the pros and cons.

A suite-type hotel or vacation condominium that includes a kitchen can also prove to be a money-saver. Seeing as you'll have a kitchen, cooking your food could save you the cost of eating out three times a day—especially if it's a family trip. If you do decide to eat out, try local restaurants as they can be more affordable. You'll also get the chance to taste foods native to the country or region you're visiting.

If you would prefer to stay in a hotel, try using platforms like [Hotel Tonight](#), especially if you're booking last minute. You'll get exclusive last-minute deals on hotel stays you may not otherwise find. If you travel often, consider a hotel rewards credit card as you could get major bonus points. [Groupon](#) also tends to have great hotel deals.

Home Swap

A home swap can be an affordable way to visit another city or even international locations. During a home swap, a family stays in your home while you stay in theirs. It can be much cheaper than paying for hotel rooms, and you'll often get to know your destination in a way that regular tourists don't.

There are many home exchange networks listed on the internet, so choose carefully. Some more established ones

include HomeExchange.com and Intervac.com.

To learn more, pick up [Home Exchange Vacationing: Your Guide to Free Accommodations](#) by Bill and Mary Barbour.

Volunteer vacation

Have fun, do good, and perhaps even get a tax deduction when you take a “volunteer vacation.” Make no mistake on most of these trips you’ll be put to work. But with opportunities such as a rainforest expedition in Costa Rica or elephant conservation in Namibia, there is something for just about any interest.

Some trips will be relatively inexpensive, but the accommodations won’t be luxurious, which suits some travelers just fine. Others are pricier and will be more like visiting a resort.

National Parks

Stay at a National Park (NPS.gov). There are beautiful parks all across the country, many at reasonable prices. Some are more rustic and will require a tent or camper, while others offer cabins and lodges. The most popular ones fill up fast, so search early for your ideal spot.

Hostels

Hostels are a cheap alternative for the more adventuresome. Your rooms will usually be dormitory-style and the bathroom may be down the hall, but the price is often right. Visit hiusa.org to learn more.

Travel/Airline Miles

When you check in to a hotel, ask if you can earn frequent traveler or airline miles for your stay. Most chains, and even some independents, participate in one or more of these

programs. In addition, some frequent flier miles or traveler reward programs allow you to cash in your miles or points for hotel stays. It doesn't hurt to ask.

Air Travel

Depending on where you're going, traveling by air can be pricey. There are ways to get discounts on air travel, which you'll see below.

Frequent flyer miles

If you have frequent flier miles, figure out whether it's worth cashing them in for a ticket. A frequent flier mile is said to be worth about 1-2 cents, so do the math. Most programs require you use 25,000 miles for a basic restricted ticket. That means if you can purchase a fare for less than \$250-\$500, you may be better off buying a ticket and saving the miles for a more expensive trip.

However, restrictions and fewer seats for reward miles are making it increasingly difficult to use your miles on some airlines. That said, sometimes it's better just to cash them in if possible.

Travel reward credit card

When you use travel reward credit cards, each purchase gets you travel miles or points, which can be used toward travel expenses. This could save you tons of money when you're traveling with your family. If you're loyal to a certain airline, see the benefits of their travel reward cards.

Book early

Booking flights early enough can lead to noticeable savings. If you can afford to, secure your tickets first and book a few

months in advance. During the final three weeks before departure, tickets tend to jump in price.

Use online tools

[Travelzoo.com](https://www.travelzoo.com) and [Airfarewatchdog.com](https://www.airfarewatchdog.com) can be useful online tools when looking to get the best airline deal for your chosen vacation destination. You can actually set up alerts from your local airport to the city you want to travel to, so you receive them as soon as those fares go on sale and before they're published on other sites.

Airfarewatchdog.com will send you an email alert so you can snag the low price before anyone else. It also remains even more competitive to other booking sites because it offers Southwest airline deals, whereas other booking sites do not.

Besides these websites, you can check out several of the major booking engines, like:

- [Travelocity.com](https://www.travelocity.com)
- [Expedia.com](https://www.expedia.com)
- [Skyscanner](https://www.skyscanner.com)
- [Hotwire.com](https://www.hotwire.com)
- [Kayak.com](https://www.kayak.com)
- [Google Flights](https://www.google.com/flights)
- [Hopper](https://www.hopper.com)

Airline apps also offer seasonal deals; download them so you're the first to know.

Fly a budget airline

Sometimes, budget airlines have cheaper deals than others. For example, Spirit airline is notorious for having cheaper flights compared to other airlines. You may sacrifice some things like

baggage allowance or comfort, but it gives you more money to spend on other aspects of your trip.

Use different airports

One way to find cheap airline flights is to go to the website of the airport you plan to depart from. Look at their list of airlines to see if there are other discount airlines that offer better deals. Try an off-the-beaten-path airport if your schedule is flexible. For example, Midwest travelers may find it cheaper to fly into Chicago's Midway airport than O'Hare, or may even want to look at flying into Milwaukee or South Bend. For a list of alternate airports by city, go to BestAirFares.com and type "alternate airports" into the search field.

Travel consolidators can also save you money on flexible travel. These private companies buy tickets in bulk and then offer them at discounted prices. These companies offer very cheap seats to Hawaii and international destinations, although they offer some domestic options as well. They sell last-minute seats that would have otherwise gone unsold. You must be flexible with your dates and times, but if you are, there can be real bargains to be had.

Travel off-peak

Go to a popular winter destination in the summer or vice versa. If your schedule allows it, avoid traveling during school breaks or holidays. Not only will you likely save money, but your destination will be less crowded and you may get better service and accommodations.

Rental Cars

If you must rent a car at your vacation destination, shop carefully. A low rate of \$19 a day, for example, can easily end

up costing \$25 or more a day if you are not careful! Here are some money-saving tips.

Ask about taxes and fees

When shopping for an auto rental, ask about fees and taxes. These can add to the cost significantly, so find out beforehand. Also, ask about airport fees, and whether they'll charge you a fee for a second driver. Don't allow anyone else to drive the car (including your spouse) unless you clear it with the rental agency first.

Consider the car size

Determine which size car you really need and don't pay for a more expensive one. An upgrade of "just a few dollars a day" will add up—and you will likely spend more on fuel with a larger vehicle.

See if you have coverage

Check with your auto insurance company ahead of time to find out what coverage you have when you rent a car, and to decide what you need to purchase. Check your credit cards, since many of them also offer a collision damage waiver that will cover deductibles, if you use that card to pay for the vehicle.

Consider fuel costs carefully

Some rental places will encourage you to purchase a tank of fuel ahead of time at a discounted cost. But you will pay for any fuel you don't use. Similarly, if you don't buy fuel in advance and return the car without a full tank, you'll usually pay a hefty price for the rental company to refill the car. Plan accordingly and ask about gas stations closest to the return area. Another

tip: Make sure the tank is full before you take the car. You can use an app like [GasBuddy](#) to help you find the cheapest gas stations.

Last but not least, **travelers beware!** “Too good to be true” deals may be just that. Always check out a company you don’t know, and use your credit card to make the reservation for additional protection. Get refund or cancellation policies in writing and consider buying travel insurance for extra protection. Restrictions apply to travel insurance policies, so read the fine print.



General Money-Saving Tips

There are other general ways to save money on vacation aside from the above. Keep these tips in mind when planning and budgeting.

- **Be mindful of foreign transaction fees** if you’re traveling overseas. Call your credit card companies in advance to find out what fees they charge for overseas purchases. While a 1% fee for overseas purchases is common, some issuers will charge as much as 4%.
- **Buy an entertainment book** at www.entertainment.com if you’ll be staying in a U.S city for several days or more. You’ll get a book full of discount coupons for restaurants, entertainment, and more.
- **Bring pre-packaged snacks** like granola bars, trail mix,

jerky, gum, or bottles of water. These items are much more expensive in hotels and airports. If you're driving, pack a small cooler for keeping beverages and snacks handy.

- **Don't forget to budget for gratuities.** Examples include hotel housekeepers (\$2-\$5/day), bellmen (\$5-\$10 for delivering luggage to room), airport skycaps (\$1/bag), cab drivers (15%), wait staff (15-20%), tour guides (\$1-\$2/day). Tipping on cruises can really add up, so plan ahead!
- **Get a cheap long-distance phone card** before you travel and use it! Avoid hotel phones, which can charge outrageous long-distance rates. If you will use your cell phone when you travel, find out whether roaming charges will apply. If you plan to get online at your hotel or on a cruise ship, make sure you understand what it will cost you.
- **Use coupons!** Kids can help look for discount coupons, internet specials, or even weigh the costs of one type of outing over another. Coupons can help you save on hotels, rentals, and flights. [Honey](#) is a good website to find digital coupons for travel.
- **Join a membership club.** Membership clubs like AAA, Costco Travel Club, and Sam's Travel Club can save you money on hotel stays, car rentals, and complete vacations. The membership fee for one of these clubs is usually offset by the savings you'll achieve.

Travel gives you experiences and memories that last a lifetime. By budgeting and planning your expenses ahead of time, you can have the vacation of your dreams without overspending.