

INTRODUCTION

Did you spend a lot of time gathering records when you filled out the forms in Circular 592, *Managing Your Money: Where Does All the Money Go?* (http://aces.nmsu.edu/pubs/_circulars/CR592.pdf)? If so, you will want to start some sort of recordkeeping system. Some ideas will be presented later in this series.

Now we want to concentrate on finding some of those spending leaks in your budget and see what can be done about them.

Does your paycheck always seem to run out before the end of the week or month? Is it possible you could be wasting \$10, \$15, \$25, or even more per month? If you answered “yes” then it’s time for you to take a look at your and your family’s spending habits. Take a few minutes to answer these questions with a “yes” or a “no.”

Does your family ...

- _____ 1. Decide on needed items and plan how much can be spent before going shopping?
- _____ 2. Always use a shopping list?
- _____ 3. Buy only items that are on the spending plan?
- _____ 4. Compare price and quality before buying, especially on expensive purchases and things you buy often?
- _____ 5. Use credit only when it is necessary?
- _____ 6. Return poor-quality or defective items to the seller?

If you have answered “no” to any of these questions, there are some spending leaks you can correct by improving some of your shopping habits.



WHAT’S MY PROBLEM?

You’ve probably already discovered a few of your problems just by answering the previous questions. Other reasons why some people can’t seem to get ahead are:

- Impatience—they want it right now.
- Impulse buying.
- Getting into too much debt.
- Lack of self-discipline in saving money.
- Inability to distinguish wants from needs.

What are your spending habits? Are any of these reasons keeping you from getting ahead? If so, you will want to work toward breaking those habits. Spending habits can be changed. You need to identify the spending leaks that give you immediate pleasure or satisfaction but don’t help you reach any of your financial goals. Then substitute those habits for desirable spending behaviors that will help you reach your financial goals.

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10 WAYS TO STOP SPENDING LEAKS

1. Plan, plan, plan.

People can have almost unlimited needs and wants, but their wealth is often limited. Therefore, you must set your priorities and manage your income according to your needs more than your wants. On the need–want spectrum, you need to figure out your level of need for goods and services so you can prioritize them. Some obvious needs are food and a place to stay, although your desired quantity and quality of these may put them more toward the want end of the spectrum. Basic needs should always be included in your budget. Saving for the future should also be included in your budget. The things of less importance—your wants—should be excluded from your budget. A good budget will help you plan your spending by teaching you to allocate a certain amount of money for your planned expenses. If you overspend in one area, you will need to decrease spending on other items in your budget or increase your income in the long-term.

Before you spend money, think through all of the possible outcomes. Decision-making is the process of choosing from among two or more courses of action for the best way to achieve your financial goals. When spending temptations try to lure money from your pocket, stop and think before you decide to buy. Ask yourself some questions. “Is this the best use I can make of my money right now?” “Am I buying to satisfy an impulse?” “Will buying this help me reach the goals I have set?” Before spending your money, think through the decision-making process.

- What are my financial goals and priorities? Will this help me reach my important goals?
- What are my alternatives? Should I buy? Do without? Continue to use what I already have? Make it instead of buy it? Borrow someone else’s? Substitute something less expensive? Rent instead of buy?
- If you decide to buy, do some comparison shopping, or compare the prices of the same item at different stores. Comparison shopping is important when making major purchases and for repeated purchases of relatively inexpensive items (such as milk or paper products). Gather reliable and accurate information, compare the alternatives, make a decision, and take action, then evaluate your decision.

2. Recognize the spending “triggers.”

Do you find yourself spending more money when you go shopping with a certain friend? Do you spend money when you are feeling sad? Or do you spend more when you are very happy?

Different individuals have different triggers that increase tendencies to spend. It is very important for you to recognize these triggers and minimize their impacts on your unnecessary spending.

Here are some other suggestions that might be helpful.

- Avoid exposing yourself to things that tempt you to spend. Stay away from stores, except when you have something you absolutely need to buy. Make a list and stick to it while shopping, then leave the store. Just browsing can lead to buying. For many, it may be a great idea to limit your number of trips to the store or the mall. Experts have also recommended using a shopping cart or even a shopping basket if you plan for quick “grab and go” shopping.
- Plan your shopping. Go with a purpose in mind. Use that list! Extras you don’t really need can certainly push up the total at the cash register.
- Don’t shop in physical or emotional states that are associated with your increased shopping tendency. Do you shop more when you are hungry, tired, depressed, or happy? Would your friends describe you as someone who is “born to shop” or a compulsive shopper? You may need some professional help if any of the above describe you. Or, you could try to find a substitute for shopping. Try an active sport or exercise class, or maybe volunteer at a nursing home or local hospital. Find something else besides shopping to make you feel good.
- Pay with cash or a debit card. Researchers have found that people who use credit cards tend to purchase more because debit cards and especially cash are more strongly linked to the pain of paying.

Maybe you can turn your knack for shopping into a money-making project by starting a shopping service for others. Shop for friends or neighbors who don’t like to shop or don’t have the time. Perhaps there are some shut-ins or senior citizens who need someone to do their grocery shopping or gift buying for them. Get creative. This might be the job you’ve always wanted.

3. **Learn to say “no.”**

Retailers spend time and money figuring out what you will buy. They try to put their products in your mind so you will want to buy them. It's up to you to control where your money goes. If you don't, someone else will be more than happy to take it away from you.

Learn to say “no” to items that don't rank high on your spending priority list, items that are too expensive for your budget (know your limits), the salesclerk that says it looks wonderful when you know it really doesn't, and friends, relatives, or children who are selling things. It is hard, but you must also say “no” to best friends or relatives who have planned for fun activities, to purchasing gifts for someone special, and to buying things that are “in.” In short, don't buy just because you feel obligated, but buy because you need something that you can afford.

4. **Use feedback.**

Feedback can give you accurate information about your past behavior. Use Worksheet 1 to write down everything you spend. Do this for several weeks. Don't cheat!

You can also record the same information on a ledger sheet from a home account book. The ledger sheet simply categorizes different spending areas. This allows you to see where your money is going and provides a way to identify spending leaks. You will be able to see patterns developing. Are you making too many unplanned purchases? Too many food purchases? Excessive trips to the mall? All of these contribute to spending leaks in the budget. By knowing your spending patterns, you will be in a better position to reach your financial goals.

5. **Take time to make some spending rules for you and your family to follow.**

Use your budget to guide your spending. Set some spending limits. Don't spend more than you can afford. Shop with a list. The list will remind you of the things you need to buy and will serve as a signal to avoid wasteful spending when you start to purchase items that are not on the list. Remember to give yourself a pat on the back when you stick to the list.

6. **Use an incentive to help you and your family follow the budget you have made.**

Perhaps you can reward yourself for following the shopping rules. If you have brown-bagged lunch four days a week at work, treat yourself to lunch out on Friday. Or, if the family has been sticking to the bud-

get and not spending money on unneeded items, a treat such as a night out or a trip to the zoo might be the incentive to keep up the good habit. Just remember: Don't ruin the budget by overspending on the special treat.

7. **Keep credit card purchases to a minimum.**

Think about what credit will cost and how else you might use that money. You may save money by buying a product on sale, but if you use a credit card, the card's interest and fees may eat up the money you saved. Remember, interest charges usually add to the total cost of the product.

8. **Buy from reliable dealers and make choices that best meet your needs.**

Keep all purchase records, including receipts and warranty information. If a problem occurs, be sure to make a complaint.

9. **Try to reduce waste to help save some money.**

Throwing away useful items, excessive use of resources (water, lights, automobile), and abuse or lack of care that leads to expensive repairs or shortens the service life of a product are all examples of wasted money.

10. **Substitute your time, talent, and resources for money when possible.**

Can you make the item yourself instead of buying it? Can you do the service yourself instead of hiring someone else to do it for you (e.g., painting or sewing)?

PRACTICE SELF-CONTROL

Self-control is a slow process. How do you practice self-control? Decide which strategies you are willing to try. Set some realistic deadlines for yourself.

Psychological research shows that it takes 21 days to break an old habit and form a new one, so don't expect miracles to happen overnight. Furthermore, research on behavior modification shows that it is difficult to change all old habits at once. With that in mind, take one habit that you want to change and work on it until you succeed, then move on to the next one.

Be sure to set realistic goals and realistic deadlines. Do not go on indefinitely—that's called procrastination. Develop a plan that will give you measurable results. For example, you can measure how much you have saved by not smoking a pack of cigarettes a day. Use Worksheet 2 to help set some goals. Don't forget to share these goals! Sharing these written goals and weekly updates toward

achieving these goals increases the likelihood of achieving these goals.

Put your plan into action. Start today with your new plan, and launch it with as strong a push as possible. Make an open commitment so that others in your family know you are serious about reaching your goals. Arrange your environment to encourage your new habit. Practice it daily. Do something every day to reach your goals. Don't allow an exception to occur until the new behavior is part of your daily life. And, above all, don't get discouraged.

Good money management habits mean getting the most for your money. Look at your habits today. Are you getting the most for your money?

For additional information, see Guide G-252, *Some Common Mistakes in Money Management* (http://aces.nmsu.edu/pubs/_g/G-252.pdf).

Excel spreadsheet versions of some of these worksheets are available at http://aces.nmsu.edu/pubs/_g/#circ.

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WORKSHEET 1

Weekly Spending Log

Keep a record of all of your spending for at least one week. Keep in mind that a week may not be enough time to really determine all of your money habits. You may want to copy this page and keep track for a longer period of time. Write down everything! You should also record how you were feeling at the time. Emotions account for a lot of spending, and you may not even realize it. See the example below. After the week is up, look at your log. Do you see any patterns developing? What are some of the “triggers” that cause you to spend? Do you see spending habits that you want to change?

Day	Time	Purchase	\$ Amount	My Feelings
Saturday	2:00	New dress	\$70.00	Needed a pick-me-up

Total the amount you have spent during the week. Are you spending more than you actually make? If so, now is the time to take some steps to plug those spending leaks.

WORKSHEET 2

Contract Plan to Reduce Spending

I/we want to make the following changes to reduce the spending leaks in my/our budget.

1. List the habits you have that most frequently increase your spending. List them in order, with those most likely to lead to spending at the top.

2. Which spending habits would you most like to change? List in order of importance to you.

3. These are the things I/we plan to do to change my/our spending habits over the next month/year to help plug the spending leaks in my/our budget. You choose the length of time to reach your goal.

I/we would like to accomplish these goals by _____ (date)

Today's date: _____

Signature(s): _____

Notes

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