

# MONEY MANAGEMENT

## *How to Keep Money in Your Pocket*

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*Does money burn a hole in your pocket? Does buyer's remorse set in after your money is spent? If this pattern sounds familiar, you need to learn how to manage your spending so you buy the things you need now and save for the things you will need in the future.*

Your spending and saving habits influence your ability to achieve financial security. You can change wasteful spending habits if you understand how habits are shaped, the parts of spending behavior, and ways spending behavior can be changed. You can create new, improved spending habits and break poor spending habits.

### Habits

Shopping behaviors are learned and shaped, like any other habit. You become comfortable with a certain pattern of behavior, and that behavior becomes a part of your regular routine. Spending self-control can be developed by forming wise shopping habits. You must become aware of your current shopping habits and learn ways to overcome the behaviors that prevent you from achieving your goals.

To form wise shopping habits, you must:

- ◆ **Identify spending leaks that give immediate satisfaction but do not help you reach financial goals.** You may feel immediate satisfaction when you buy a new pair of pants on sale for half price. But if you buy those pants, you will not be able to add to the money you've been saving for months to buy a stereo.

- ◆ **Substitute desirable spending behavior that may not be immediately gratifying or satisfying to reach your financial goals.** Saying no doesn't give you the immediate satisfaction you get when you buy the pants, but disciplining yourself to say no can help you reach your goals. We sometimes have to say no to temptations that give us immediate pleasure in order to reach our long-term goals.

If your money runs out before your next paycheck rolls in, look at your past spending habits. The results of past actions are often good motivators for changing your present way of doing things.

### Spending Behavior

To change your spending habits, you need to understand what happens when you make a purchase. A spending habit has five parts:

- ◆ The **drive**, which causes you to go to a location where you will have the opportunity to spend
- ◆ The **stimulus**, which attracts your attention and encourages you to buy
- ◆ Your **decision** to say yes or no to the temptation to buy
- ◆ Your actual **response** (action) to the stimulus
- ◆ The **consequence** or result of your action

You can keep more money in your pocket if you look at your spending behavior and identify where you can make some changes.

Your spending and saving habits  
influence your ability to achieve financial security.

Examine your spending habits. Is money burning a hole in your pocket? If so, you may want to look for some ways to keep those dollars in your pocket.

### **Developing New Habits**

Before you spend that money burning a hole in your pocket, stop and think. At any step of the spending behavior described above, you have a choice: whether to keep your money in your pocket or to spend it. Ask yourself important questions about your goals for the future: *Is this the best use of my money? Am I buying to satisfy an immediate need? Will buying this keep me from reaching my goals?* Enjoy the feeling of accomplishment you get from having more money to put toward your long-term financial goals.

Once in a store you can't remove temptations, so you have to control your response. Merchants arrange items to attract your eye. When you spot an item that appeals to you that would be nice to have but not necessary, use the following strategies to resist the temptation to buy.

#### **1. Learn to recognize the drive that places you in a spending situation.**

The **drive** is your inner force that creates a situation in which there is a temptation to buy. Your drive may be enjoyment of shopping a yard sale or flea market, or it may be your need for an item. Your drive places you in situations where you have the choice to spend money or not. One way to avoid spending is to channel your drive in another direction.

#### **2. Try to avoid or reduce your exposure to things that tempt you to spend.**

The **stimulus** is the cue that attracts your attention and encourages you to buy. Recognize the things that tempt you to spend money. Outside the store, you may see sale signs, attractively displayed items, or clearance racks. Inside the store, merchandise is strategically placed to attract your attention. Temptations to spend money are not always

items in a store. Temptations to spend can come from people, places, things, or the mood you are in. Avoid areas of the store where you know your temptation is greatest. Find other activities to do with friends who encourage you to spend.

#### **3. When you shop, have a purpose or a plan.**

Make a list before you go to the store. Stick to it when you get there. Buy what is on your list and leave. Browsing can lead to over-buying or impulse purchases.

#### **4. Limit the number of trips you make to the store or the mall.**

Stay away from the store except to buy the things you absolutely need. By controlling your environment, you encourage desirable behavior and discourage undesirable behavior. By not placing yourself in situations that will tempt you, you can keep more of your money in your pocket.

#### **5. Don't shop when you are hungry or depressed.**

Shopping in a weakened condition can, and often does, lead to overspending.

#### **6. Find a substitute for shopping.**

If shopping is your favorite pastime but it leads to unnecessary spending, find another way to spend your time. Substitute an active sport such as tennis. Volunteer at your local hospital or nursing home. Or turn shopping into a money-making project by shopping for others who don't like to shop or don't have the time.

#### **7. Before you spend your money, think through the decision-making process.**

Before you buy, ask yourself:

- ◆ What are my financial goals and priorities?
- ◆ Will this purchase help me achieve my most important goals?

- ◆ What are my alternatives? Should I
  - Buy
  - Do without
  - Continue to use what I have
  - Make instead of buy
  - Borrow someone else's
  - Substitute something less expensive
  - Rent instead of buy

### 8. Look now; buy later.

Shop around before you buy. Sleep on your decision overnight. That temptation may not be appealing enough to go back after the item the next day.

If you decide to buy, comparison shop before you make your final decision.

- ◆ Gather reliable information
- ◆ Compare alternatives
- ◆ Make a decision
- ◆ Take action
- ◆ Evaluate your decision

### 9. Learn to say no.

Say no to:

- ◆ Items that don't rank high on your spending priority list
- ◆ Items that are too expensive for your budget. (Know your financial limitations.)
- ◆ The sales clerk who says it looks great when you know it doesn't
- ◆ Friends or relatives who are selling things. Don't buy just because you feel obligated to the other person.

Remember, retailers spend time and money trying to figure out what you will buy. They try to position products so you will want to buy. It is up to you to control where your money goes. If you don't control it, someone else will be happy to lure it away. Remember, when you say yes to a low priority, that money is gone. It can't help you reach your financial goals. If you say no, you still have the money.

### 10. Use feedback.

Feedback can give you accurate information about past behavior. Keep a weekly record of your spending for several weeks. Don't cheat. Write down everything you spend. This exercise serves several purposes. It allows you to see where your money is going and provides a method for identifying spending leaks. Your spending record also serves as a measure to determine how well you're doing toward reaching your goals.

### 11. Make some spending rules to follow.

Use a budget to guide your spending. Set spending limits. Don't spend more than you can afford. Shop with a list. The list reminds you of things you need and can serve as a signal to avoid unnecessary spending. Use an incentive plan to help you stick with your spending plan. Reward yourself if you follow your shopping lists. If you've been able to discipline yourself to follow your spending plan to reach your goal, treat yourself to something you really enjoy. If you brown-bagged your lunch for awhile to save money, treat yourself to a special lunch out after you've reached your savings goal.

### Practice Self-Control

How do you practice spending self-control? Not overnight or in one quick lesson. Developing self-control is a gradual process, but you can do it by following these steps.

- ◆ Pick one simple spending habit you want to change.
- ◆ Choose some strategies you can use to change the habit.
- ◆ Look for specific things you can do to reduce your spending.
- ◆ Set some deadlines for yourself.

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- ◆ Develop your plan so you can measure results along the way. For example, your goal may be to change your spending habits so you save \$50 in three months. That's measurable. You can readily tell if you've saved that much money or not.
- ◆ Put your plan into action. Take the first chance you get to act on your plan.
- ◆ Launch your new plan with as strong a push as possible. Remember that your environment strongly influences how successful you are at creating your new habit.
- ◆ Practice daily. Do something every day to reach your goal. Don't allow an exception to occur until the new behavior is a part of your daily life.
- ◆ Don't get discouraged. It usually takes two or three weeks to form a new habit.

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