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No. 354-123
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Lesson Three

Managing Your MONEY

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Publication 354-123

2000

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Stop Spending Leaks

Did you spend a lot of time gathering records for the second lesson? If so, you will want to start some sort of recordkeeping system. We'll have some ideas for you later in this lesson.

Today, we want to concentrate on finding some of those spending leaks in your budget and seeing 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 a month? If you have answered "YES," then it's time for you to take a look at your spending habits and also those of your family. 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.
- Substitute desirable spending behaviors that will help you reach your financial goals.

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Where To Start ? ? ?

1. **Learn to recognize the “triggers” that put you in a spending situation.** Maybe you enjoy shopping at yard sales or flea markets. Or perhaps, when you go to buy milk, other items in the store catch your eye. Whatever the reason, you are in a situation where you have the option to spend your money or not.
2. **Learn to recognize the “triggers” in your surroundings that get your attention and tempt you to buy.** Stores often place merchandise in a location to attract your attention. Temptations also can be people, places, things, or even the mood you are in. Do you find yourself spending more money when you go shopping with a certain friend? Do you spend money when you are feeling “blue”? Learn to control the environment so you can shop wisely. Here are some other suggestions that might be helpful:

- Avoid exposing yourself to things which will tempt you to spend. Stay away from the stores except when you have something you absolutely need to buy. Make a list and stick to it when shopping and then leave the store. Just browsing can lead to buying.
- 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.
- Limit your number of trips to the store or the mall.
- Don't shop in a weakened condition—by shopping when hungry, tired, or depressed, you may find you have a tendency to overspend.



Is shopping your hobby? You've probably heard the saying “born to shop”—Is that you? Do you think you are a compulsive shopper? Do you get a “rush” from shopping

and afterwards feel depressed? If this is the case, you may need some professional help. Or, you could try to find a substitute for the shopping. Try an active sport, an exercise class, or maybe volunteer at a nursing home or local hospital. Find something else besides shopping to make you feel good.

Maybe you can turn your knack for shopping into a moneymaking project—start a shopping service for others. Shop for friends or neighbors who don't like to shop or don't have the time because they work. Perhaps there are some shut-ins or senior citizens who need someone to do grocery shopping or select gifts for them. Get creative—this might be the job you've always wanted!

3. **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 “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 my 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 buying it? Borrow someone else's? Substitute something less expensive? Rent instead of buy?
- If you do decide to buy, do some comparison shopping. Comparison shopping is important when making major purchases and for repeated purchases of relatively inexpensive items (Ex: small household appliances). Gather reliable and accurate information. Compare the alternatives. Make a decision and take action. Then evaluate your decision.

4. Be patient. Learn to say ‘NO.’ Once in a store you can’t remove the temptations, so control your response to those temptations. Look now, and buy later. Look around before you buy. Sleep on your decision overnight. The item may not be as appealing as you thought and you may decide not to buy it after all. Don’t be pressured by sales tactics. If an item is in the store today, chances are it will still be there tomorrow. Give it some thought. Don’t be swayed by a salesperson’s “line.”

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 who says it looks wonderful, when you know it really doesn’t
- Friends, relatives or children selling things. Don’t buy just because you feel obligated

Retailers spend time and money figuring out what it is you will buy. They try to make you aware of their products 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!

Examine past spending habits to see where changes need to be made. If your money runs out before your next paycheck, it is time for you to find out what kind of spending habits you have. The results of your past actions are often good motivators for changing your present way of doing things.

5. Use feedback. Feedback can give you accurate information about your past behavior. Keep the “Weekly Spending Log” for several weeks. Write down **EVERYTHING** you spend. Don’t cheat!

You can also put this 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.

6. Take the 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.

7. Use the incentive plan 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 at work, treat yourself to lunch out on Friday. Or if the family has been sticking to the budget 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.

8. Keep credit purchases to a minimum. Think about what credit will cost and how else you might use that money. Will you lose the money that you saved by buying it on sale because you used credit? Remember, interest charges usually add to the cost of the product.

9. Buy from reliable dealers and make choices which best meet your needs. Keep all purchase records. If a problem occurs, be sure to make a complaint.

10. Try to reduce waste to help save some money. Excessive use (water, lights, automobile), abuse, or lack of care which leads to expensive repairs or shortens the service life of a product, or throwing away useful items are all examples of wasted money.

11. Substitute your time, talent and resources for money when possible. Can you make the item yourself? Can you do the service yourself instead of buying it or hiring someone else to do it for you (Ex: painting, sewing etc.)?

Practice Self-Control

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

Psychological research indicates 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 indicates 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 and then move on to the next one.

Be sure to set realistic goals and realistic deadlines. An indefinite deadline may cause you to procrastinate. 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.

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 others in your family know you are serious about reaching this goal. Arrange your environment to encourage your new habit. Practice it daily. Do something every day to reach your goal. 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 more help, please feel free to contact your local Virginia Cooperative Extension office and request one of the following publications or visit one of our websites at: <http://www.ext.vt.edu> or <http://www.ext.vt.edu/money2000/index.html>.

- Families Taking Charge: Spending Less (VCE Publication 354-098)
- Families Taking Charge: Setting Spending Priorities (VCE Publication 354-100)
- Cutting Costs (VCE Publication 354-155)

[Adapted with permission from Managing Your Money by Eleanor Ames, Ohio State University Extension]

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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 increase your spending most frequently. List these in order with those most likely to lead to spending at the top of the list.

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