



# ***Managing Money***

## ***Stop Spending Leaks***

# Managing Money: Stop Spending Leaks

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Now it's time 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 a month? If you 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 something immediately.
- 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 towards 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 desirable spending behaviors that will help you reach your financial goals.

## 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 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 tempt you to buy.** Stores often place merchandise in a location to attract your attention. Temptations also can be people,

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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 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 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 yourself overspending.

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 feel depressed afterward? If this is the case, you may need some professional help. Or, you could try to find a substitute for 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 money-making project, such as starting 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 their grocery shopping or gift buying 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 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?" or "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. 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.

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 that says it looks wonderful, when you know it really doesn't; and 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 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.

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 often are good motivators to change the present.

- 5. Use feedback.** Feedback can give you accurate information about your past behavior. Use The Spending Log Work Sheet for several weeks. Write down everything you spend. Don't cheat!

You also can take this information and fill it in 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 or excessive trips to the mall? All of these contribute to spending leaks. By knowing your spending patterns, you will be in a better position to reach your financial goals.

- 6. 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 stray from 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 your budget.** Perhaps you can reward yourself for following the shopping rules. If you have a brown bag 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. 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 that 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.** Throwing away useful items, excessive use (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.
- 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 (painting or sewing)?

### 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,

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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. 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 the Contract Plan Work Sheet to help set some goals.

Put your plan into action. Start today with your new plan. Launch your new plan 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?

## Spending Log Work Sheet

### 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 find 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 can account for much of the 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 p.m.	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 have? If so, now is the time to take some steps to plug those spending leaks.

## Contract Plan to Reduce Spending Work Sheet

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

1. List the habits you have which 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.

I/we would like to accomplish these goals by: \_\_\_\_\_ (date)

Today's date:

Signature/s:

*This resource is one in a series on **Managing Money** which include:*

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**Making your Money Work:**

Determining What Is Important to You  
Where Are You Now? (Net Worth Statement)  
Stop Spending Leaks  
Developing a Spending Plan

**Using Credit:**

What Is Credit and How Much Credit Can I Afford?  
Types of Credit: What Are Your Choices?  
Credit Cards  
Credit Reports

**Building Savings:**

Ways to Save  
How Your Money Can Grow  
Where to Save  
Investment Options

**Selecting Financial Institutions:**

Selecting a Financial Institution  
Checking Accounts  
Savings Accounts

**Creating a Record System:**

Keeping Records in Order  
Where to Keep Records

**Determining Readiness:**

Financial Readiness  
Benefits and Challenges

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