

LifeSolutions® Corner

7 shrewd spending habits to get you where you want to go in life



IT'S NOT EASY BEING A SMART SPENDER IN A WORLD WHERE CONSUMERS ARE CONSTANTLY GOADED TO BUY NOW AND WORRY ABOUT THE CONSEQUENCES OF THEIR PURCHASE DECISIONS LATER. BUT ACCORDING TO PERSONAL FINANCIAL EXPERTS, GOOD THINGS COME TO THOSE WHO PRACTICE WISE SPENDING HABITS.

“If you want to be able to do things like buy a home or a car, take a trip or even start a business, smart spending is the only way to get there,” said Jude Boudreaux, CFP®, founder of Upperline Financial in New Orleans, Louisiana. “On the other hand, if you’re not smart about what you’re spending, you are going to limit your future choices. You may have less to spend on the things you really want, and you may even have to work longer before retirement.”

Smart spending gives people the best chance of living life on their own terms, fulfilling their dreams, and avoiding financial hardship. The alternative, as enticing as it might seem now, is sure to invite financial problems: from a heavy debt burden and depleted bank account to a later, and less comfortable, retirement.

Being a smart spender doesn’t mean being overly frugal or denying yourself things you really want or need. Nor does it necessarily mean spending less. Rather, said Boudreaux, it’s a matter of prioritizing — choosing to spend your hard-earned dollars on things that will help you fulfill your life goals and aspirations. Would the money you spend on restaurant meals be better put toward a trip or a graduate degree, for example?

Try applying these seven suggestions to your own situation, and you’ll be on your way to a fulfilling and financially stable future:

- **Track your spending.** Whether with a pad and pencil or computer software, start keeping records of exactly what you’re spending money on—from necessities to discretionary items.

- **Commit to following a plan.** Develop a spending strategy that, based on your income, specifies how you’ll use your money, preferably on a weekly instead of a monthly basis. The Financial Planning Association’s website includes several resources to help consumers develop a spending plan.
- **Set goals that are realistic.** Having goals in mind, such as buying a home or saving for an exotic vacation, can provide motivation to stick to a spending plan. But be sure those goals aren’t too aggressive. Set modest savings targets to start, then adjust them over time.
- **Use cash instead of plastic.** Doing so not only limits your debt burden—it helps you resist the temptation to spend money you don’t have, asserts Boudreaux. “I’m a big believer in using cash whenever you can because it helps crystallize the decisions you make and the priorities you have about money. It’s a great scorecard.”
- **Resist temptation.** The compulsion to buy an item you don’t necessarily need can be strong. To resist the urge, remind yourself of the big picture—how your choices will impact meeting your long-term goals, the guilt you may feel later about an impulse purchase, etc. Also, avoid places and situations where you’re likely to spend money unwisely, Boudreaux suggests.

- **Give yourself room for spontaneity.** Don't get carried away here! Build enough flexibility into your spending plan to accommodate occasional unplanned purchases.
- **Lean on someone for support.** Couples may find it much easier to practice smart spending habits and resist temptation if they both buy into the program. Given their personal finance expertise, financial planners can provide singles and couples alike with valuable advice, guidance, and support. Visit FPA's national database of personal finance experts at FPA.net.org/PlannerSearch/PlannerSearch.aspx to find one near you.

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