

Defeat Debt

Credit Advisors Foundation

Volume 48, Issue 5

Spending Behaviors: Why we buy & how to change

What, where, and who do you want to be? In our media culture, consumers are bombarded daily to buy, buy, buy. Advertisers and advertisements assure us if we purchase their products or services our lives will magically become new, more, better, or improved, that we will become faster, prettier, sexier, smarter, richer, stylish, blah, blah, blah, blah, blah.”

So what do we do? We sign up, join, try out the latest, but mostly we buy. We buy in, buy out, buy a little, buy a lot – whether we are spending big or spending small doesn't seem to matter as long as we buy. Our spending behaviors seem to say that we believe the hype: we are what we buy or own. Do we really think driving that SUV will make our work/home lives more balanced? Will buying that new perfume with the picture of the current popular pop star make us rich, beautiful, and a shower-singing diva? I doubt



Easy access to money & credit can create spending problems.

it, but my...don't we act like it?

Often unnoticed technology also impacts our spending. As technology in our world changes quickly, some folks feel the need to have the latest technological gadgetry as soon as it is available. Computer technology alone will become out dated in less than a year's time. Of course, new technology is always more expensive until it becomes main stream. (Consider microwaves. High priced and very large when first available to the public, but now available for purchase at under \$50 this device can throw an entire household into chaos if broken or unavailable, leaving us with an entire generation unaware of how to heat left-overs, and hot chocolate, or make popcorn without a microwave.)

Today we have easy access to money that encourages or at least doesn't discourage us to spend. With the availability of debit cards, ATM cards, and the internet, consumers have 24 hour access to the funds in their accounts and the ability to spend it. In addition, there is easy access to credit. Note the many pre-approved, buy now, pay later and six months same as cash offers consumers are bombarded with daily. Need we say more?

Of course, financial setbacks from life's emergencies that savings used to take care of can create chaos in our spending behaviors. Since so many of us no longer save or set aside money for the 'rainy days', unexpected medical bills, death, loss of income, or catastrophic events can cause consumers to dramatically increase their debt load.

Meanwhile, financial illiteracy also impacts our overall spending. Some consumers simply do not know enough about credit, interest rates, introductory offers, finance charges, universal default and so on to make thoughtful, informed credit decisions. And some of us simply spend too much. Additionally, there are numerous normally acceptable spending behaviors that can encourage over spending. For example, the use of plastic rather than checks or cash can also contribute to this problem. When using plastic consumers tend to underestimate the amount spent and over estimate their ability to repay the debt.

So hey, if you've got the recommended 3 months worth of salary in the bank for emergencies, your retirement savings is on track, and you are essentially debt free – have at it! Unfortunately, the vast

(Continued on page 2)

Inside this issue:

<i>Spending Behaviors: Why we buy & how to change</i>	1
<i>Spending Behaviors (continued)</i>	2
<i>CAF Privacy Policy</i>	2
<i>Word Search</i>	3
<i>CAF Privacy Policy (continued)</i>	3
<i>The Kitchen on a Dime</i>	4

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Spending Behaviors

(Continued from page 1)

majority of us simply don't have all of our financial bases covered. The majority of us are concerned with increased costs of the basics - like at the gas pump, keeping our jobs and incomes as we live paycheck to paycheck, and trying to figure out how to keep it all going. What we've got to do is examine our spending behaviors and understand how what we think (or don't think) can affect our financial behavior.

Let's look at a few examples of spending behaviors that could short circuit our efforts to achieve a goal of financial wellbeing.

Our first example is the co-dependent spender. This person spends to create dependency or gratitude in others for the purchases 'graciously' supplied by the spender. Disappointingly for the co-dependent spender, the resulting dependency or gratitude does not usually last very long, unless the spending continues. Or worse, if the spending stops there could be a backlash of feelings of entitlement from the focus of the co-dependent spender's attentions.

A second type of spending behavior is known as revenge spending. The nature of this form of spending is just what you'd think - punishing by spending money. It usually occurs in a relationship and for as many different reasons as there are people. Often the thought process prior to revenge spending includes some bitter rationalizations like, "this will show them" or "this will make us even". Yep, it's maturity in its finest hour.

And what about compulsive spending? There are many of us, whether we are willing to admit it or not, who display some compulsive spending behaviors. This style of spending attempts to fill emotional needs (like depression), relieve anxieties (trying to belong), or resolve self esteem issues (inadequacy) through a pocketbook.

Yet another sort of spending is competitive spending. We've all heard about the Jones' and keeping up with them, but today the Jones' don't live down the street. They live in another reality above a coffee shop in bright, airy apartments on income from entry level positions, if they have a job at all, or on Wisteria Lane in fine houses, fully furnished with a new outfit every day, but they sure don't have credit, debt or money woes to deal with.

So how do we start to change these behaviors? If I say budget, don't tune out. Creating a budget and keeping track of where your money is actually going will quickly point to areas where further scrutiny may be wise. If you're waiting for your ship to come in and it's sprung a leak, determining where the structural weakness is will be vital. Having a budget also helps keep you aware of necessary spending limits or caps as guidelines or curbs to overspending. This awareness extends to exactly how much you are spending on both needs and wants. Are there areas or types of purchases where your spending is high, such as clothing, hobbies, food, housing or transportation? Or is shopping simply a favorite pastime or used as a stress reliever? If you are serious about achieving your financial goals taking the time to understand how you got where you are will be an excellent tool as you move forward.

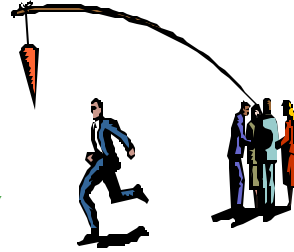
Once you recognize a problem area, it's time to find out what driving force is influencing your behavior in this area and what is attracting you to a purchase. Consider a recent purchase that may have resulted in budgeting or debt consequences. Was this a need or a want? What was happening in your life during the time of the purchase? Were you under

pressure in other aspects of your life - were you pressured in a limited time only scenario? Were you down? Lonely? Angry? Celebrating? Bored? Did you make a conscious decision to purchase - or were you distracted by other concerns?

Poor spending decisions can be derailed at a number of points in the process but it will take time and determination to change your habits. If you can determine

what drives you to the store (no, not your car smarty!), what attracts you to the overspending, that will be the first step in counteracting the effects. It may not be a popular concept, but doing everything you can to avoid the temptation of spending (avoiding the mall or internet, making a list, dividing your looking and shopping trips) is something only you can do. No one can make you do it; it has to come from you.

Be creative! Use discipline. If you have listed your debt in a debt management program (DMP) you've already made a great start. However, if you are having difficulties with other purchases or spending patterns consider keeping a spending diary. By hand or on computer, on scraps of paper or in blank book, writing down your emotional attitude or outlook before and after purchases may help you find more ways to derail habitual spending and move you toward well-considered purchases. It may even help you develop new habits. Remember, once your DMP is completed, you'll be back out there going strong in consumer land. Only by learning about and changing unproductive spending behaviors will you continue to move forward towards your future financial goals.



Determine what drives you to spend.

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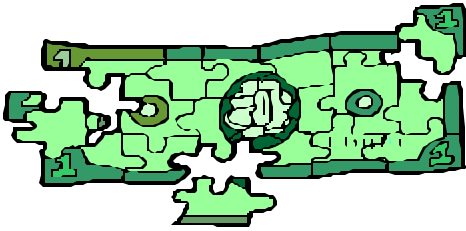
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(Continued on page 3)

Word Search * Word Search * Word Search * Word Search * Word Search



Complete the puzzle by finding the words below from our articles in this month's **Defeat Debt!**

AWARENESS

- BEHAVIOR BUDGET
- DEBT DIARY
- DRIVE FINANCIAL
- LIST PLAN
- POLICY PRIVACY
- PURCHASE SPENDING

F I N A N C I A L K
 L S L J V H D W O P
 A P O L I C Y A U R
 B E H A V I O R F I
 U N G N S W C E M V
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More on CAF Privacy Policy

(Continued from page 2)

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Get out of debt with no regret!



The Kitchen on a Dime

May is a month for celebrations. From enjoying warmer weather and wedding receptions to honoring graduates, good food plays a starring role.

So celebrate, enjoy this yummy pasta salad and create some new family traditions.

(Warning: people always ask, so be prepared to share the recipe, oh, and don't expect any leftovers.)

Acini Di Pepe Salad – (AKA Frogeye Salad)

Ingredients:

1 cup acini di pepe pasta
1 (20 ounce) can crushed pineapple, drained with juice reserved
1 (15 ounce) can mandarin oranges, drained with liquid reserved

1 (8 ounce) container frozen whipped topping, thawed
7 ounces miniature marshmallows
1 cup sugar
2 eggs, beaten
½ teaspoon salt
3 tablespoons all-purpose flour
1 (10 ounce) jar maraschino cherries, drained (optional)

Directions:

Bring a large pot of lightly salted water to a boil.

Add pasta and cook for 8 to 10 minutes or until al dente. Drain.

In medium saucepan, combine reserved liquids from pineapple and oranges (equals about 1 ½ cups), sugar, eggs, salt and flour. Cook until thick, stirring constantly. When mixture thickens, add cooked pasta and refrigerate overnight.



*Enjoy a cool pasta salad during your
May celebrations.*

The next day, add pineapple and oranges, whipped topping and marshmallows to taste. Mix together and top with the cherries if desired. Keep chilled until served.

Makes 8 servings at \$1.16 per serving.