

OHIO STATE UNIVERSITY EXTENSION

A SIX LESSON SERIES

MANAGE *YOUR* MONEY

Lesson 3: *Spending Leaks*



THE OHIO STATE UNIVERSITY



MANAGE YOUR MONEY

Lesson 3

This lesson uses Worksheet I and Activities 3-1 and 3-2

Spending Leaks

If you often find yourself short of money before your next paycheck, it's time to explore and re-view your household's spending habits. Hopefully, you have been tracking your spending with the **Day-to-Day Dollar Tracker Worksheet: A**, found in Lesson 1. This lesson will encourage you to continue tracking your spending so you can find spending leaks and create a plan to correct them. Do you think you might be wasting \$10, \$15, \$25, or even more a month? Without tracking your spending, you'll never know.

Activity 3-1 Shopping Habits

Do You and 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 on your list?
4. Compare price and quality before buying, especially on expensive purchases?
5. Use credit only when necessary?
6. Return poor quality or defective items to the seller for a refund?

If you have answered "NO" to any of these questions, it's likely that money is slipping away from you, leaking away a few dollars at a time. You may be able to stop the leaks by improving your shopping habits.

What's the Problem?

There are many reasons people have a difficult time managing spending choices. Do any of these sound familiar?

Impulse buying: You see something at a store, online, or on a shopping channel and buy even if you had not planned to make a purchase. "I enjoy a spontaneous splurge now and then – it's fun and kind of exciting."



Bargain Hunting: You see something at a great price and buy it, even if you don't need it. "This is a great price! I'll probably use it – sometime."

Self Esteem: You believe others will think less of you if you're not wearing trendy fashion or using the latest products available. "I'd be embarrassed to wear that same old thing to yet another wedding."

Reward: You work hard and deserve things that make your life more convenient and comfortable. "No one notices how hard I work, and no one will reward my efforts, so I might as well treat myself to things I deserve."

Love to Give: You see products as gifts and buy lavishly for loved ones. "He already has a lot of toys, but the baby would LOVE this."

Retaliation: You buy because someone in your family spent on themselves and now it's your turn. "She bought herself a new smart phone, so it's okay for me to buy another fishing reel."

Control: You earn the money, so you should be the person in the household who gets to decide how to spend the money. "She brings in half the amount I do, so I can spend a bit more on myself without her knowing."

Stress: You forget to make a payment and have to pay a penalty for being late.

Tunnel vision: You focus on what needs to be paid urgently today and neglect planning for future expenses. A small, delayed repair can lead to an expensive replacement over time.

The spending habits and attitudes on page 2 can prevent a person from achieving financial security and long-term goals. If any of these sound familiar, consider changing the way you view money

as it relates to your self-worth, your life goals and your relationships. Everyone should honestly examine their reasons for spending.

Ten Ways to Help You Plug Your Spending Leaks

1. Learn to recognize habits that put you in places where you spend. (You may see some personal trends by examining your completed **Day-to-Day Dollar Tracker Worksheet A**; see **Lesson 1**.) Maybe you enjoy shopping at yard sales or flea markets. Perhaps, when you go to buy milk, other items in the store catch your eye. Do you eat out every Friday night? Does a short work break usually include buying coffee and a treat? These types of habits will cost you money.

2. Learn to recognize the “triggers” in your surroundings that tempt you to buy. In stores, merchandise is displayed to attract attention. Temptation triggers can also 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 your environment so you can shop wisely.

Here are other suggestions that might help you keep control over your spending triggers:

- Stay away from stores except when you absolutely need to buy. Avoid “just looking.” Browsing can easily lead to buying.
- Plan your shopping. Go with a purpose in mind and use a list. Little “extras” can add up quickly at the cash register, especially at the grocery store.
- Don’t shop in a weakened condition. Shopping when you are hungry, tired, in a hurry, or depressed can lead to overspending.

3. Before spending money, think through possible alternatives.

- Ask yourself: Can I do without? Can I continue using what I already have? Can I make it for less money than buying it? Can

I borrow someone else’s? Can I substitute something less expensive? Can I rent a few days instead of buying?

- Do your research. Make your spending decisions based on reliable information. If you decide to buy, do comparison shopping by comparing the prices at several stores or online locations.
- If you buy, evaluate your decision. Not all decisions will prove to be what you expect. If you later find that a purchase was a poor choice, use the experience as a guiding lesson for next time. Try to take the item back for a refund. You are gaining skills as a consumer.
- 4.** Be patient. Learn to say “NO” to:
 - Items that don’t rank high on your spending priority list
 - Items that are wants or desires, not needs
 - Items that are too expensive for your budget
 - The salesperson who encourages you to buy: “We only have two of these left in stock.”, “That sweater looks great on you and the sale ends today.”
 - Friends or relatives selling things. Don’t buy just because you feel obligated.

5. Review your spending record for patterns of behavior and use this to better understand your own habits and spending weaknesses.

6. Establish and agree to spending guidelines for yourself and your household. Use your expense records to plan your spending. Set spending limits. Don’t spend more than you plan. Discuss larger expenses with family members before making the purchase.

7. Use the “incentive plan” to help you and your family follow the budget you have made.

continued on page 3

continued from page 2... **Ten Ways to Help You Plug Your Spending Leaks**

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 household 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 park might just be the incentive to keep up the good habit. Remember to not 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. Remember, interest charges add to the cost of anything purchased with credit if not paid off in full every month.

9. Buy from reliable dealers and keep all pur-

chase records. If a problem occurs, be sure to register a complaint and request a refund or replacement. Act promptly in case a warranty time limit is involved.

10. Reduce waste to help save money. Examples of unnecessary spending can include:

- The abuse or lack of care that leads to expensive repairs or shortens the service life of a product.
- Excessive use of phone data, water, lights, and gasoline.
- Buying individual sized convenience snacks, unproven herbal supplements, having both a landline and a cellphone, rarely used gym memberships, kitchen gadgets, more clothing than what is worn, lunching out during the work week.
- Throwing away useful items.

Know Your Personal Spending Habits

If you have been tracking your spending, you may see patterns that regularly cost you money. Are you making too many quick trips to the grocery? Visiting a friend every week means eating out each time? Popping into the bookstore on your way home from work results in another bag full of paperbacks? These types of purchases contribute to leaks in your budget. By knowing your spending patterns, you will be in a better position to change habits so you can reach your financial goals.

For example, do you purchase a cup of coffee or a soft drink frequently? By eliminating the habit totally you could save \$520, as illustrated in the Example of a Habit Buster on page 5. How about lowering the price by considering alternatives? If you purchase a carton of cans and take a can from home each day, the cost might be only \$0.35 a day (Alternative 1). Or, continue to buy the fountain drink, but only two or three times a week instead of every day (Alternative 2). A coffee drinker can take a small coffee pot to work or carry a Thermos from home. Small changes over the entire year add up.



Refer to **Activity 3-2: Habit Buster** on page 5, to calculate the cost of your own habits. Consider the long-term consequences of what seems like a small expense the day you made the purchase. Would you be willing to change a habit in order to save dollars for your goals? Even small changes can add up.

Changing a Habit

Be patient. It takes time to create a long-standing habit and it will take time to change. Creating a new healthy habit will take weeks, maybe even months and you will likely “relapse” a few times

Example of Habit Buster

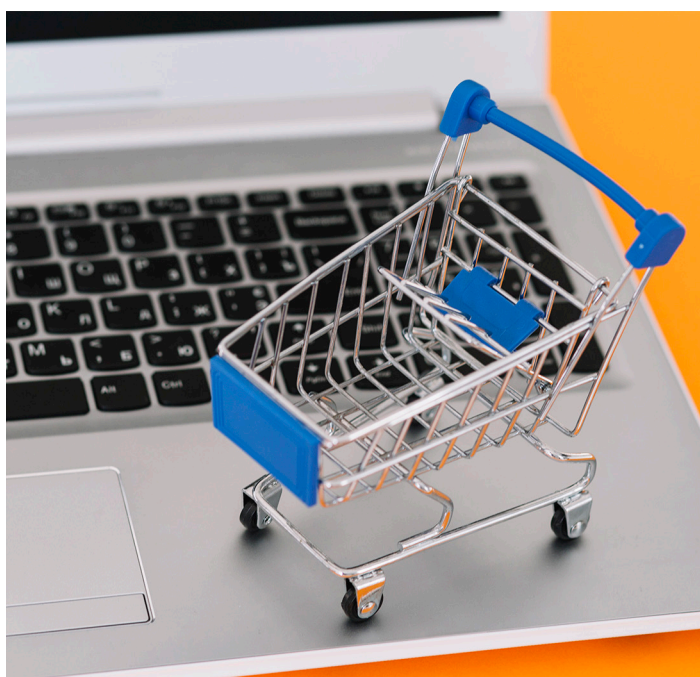
Habit	Cost per Day	Number each Week	Cost of Habit Every Week	Cost per Year
Beverage	\$2	5	\$10	\$520
Alternative 1	0.50	5	\$2.50	\$130 Savings: \$390
Alternative 2	\$2	3	\$6	\$312 Savings: \$208

Activity 3-2: Habit Buster

Habit	Cost per Day	Number each Week	Cost of Habit Every Week	Cost per Year

along the way. But, that doesn't mean you have failed; it means you should start again where you left off. Focus on just one habitual spending behavior you want to change and work on it until you succeed. Then move on to the next one.

Do not delay or use excuses for putting off needed change.



Put your plan into action

Put your plan into action. **Worksheet I: My Plan to Change Spending Habits** helps you launch your new plan with as strong a push as possible. Make an open commitment to your partner or a friend so others know and can support and encourage you in reaching your goal. Arrange your environment to encourage your new habit. Practice it daily. Don't allow an exception to occur until the new behavior is part of your daily life. Measure and celebrate your success as you make progress. For example: salute the coffee shop with your reusable travel mug filled with homemade coffee as you drive past.

Action Steps for Lesson 3

- Complete **Activity 3-1: Shopping Habits**.
- Use **Activity 3-2 Habit Buster** to identify two (or more) habits in your spending log.
- Practice changing at least one spending habit that will save some money.
- Complete **Worksheet I: My Plan to Change Spending Habits**.
- Continue using your **Day-to-Day Dollar tracker (Worksheet A** from Lesson 1) to keep track of your regular spending.

More Information and Sources

The University of Minnesota Extension has a publication titled: 'Strategies for Spending Less.' Search for it by visiting their website at extension.umn.edu

The Consumer Financial Protection Bureau has a number of resources that will be of help. Visit their website at consumerfinance.gov

Author information

Visit OSU Extension at extension.osu.edu and eXtension at extension.org

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Worksheet I: My Plan to Change Spending Habits

Copy for each member of the household

A habit I want to change is: _____.

I am most tempted to spend this money when:

- 1.
- 2.
- 3.

Ways I can keep from spending this money include:

- 1.
- 2.
- 3.

Barriers (people, places, or things) that will make it difficult to change this habit are:

- 1.
- 2.
- 3.

I can overcome these barriers by:

- 1.
- 2.
- 3.

Things that worked:

Week 1:

Week 2:

Week 3:

Week 4:

Things I will try next time ...

Week 1:

Week 2:

Week 3:

Week 4:

How I did and money I saved:

- 1.
- 2.
- 3.



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Manage Your Money

Lesson:

1 - 2 - ③ - 4 - 5 - 6



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