

MONEY MANAGEMENT.

Break the spending habit.

DID YOU KNOW?

Who you are as a money manager was determined years ago, and is being continuously shaped by your environment. Do you remember the first time you had your own money?

- Did you save it?
- Did you run to a convenience store and spend it all on candy?

Many people report that their first experience with money had a profound effect on how they handle their finances.

WHAT'S YOUR MONEY PERSONALITY?

It takes a bit of time to figure out – but once you do, you'll have a better understanding of the challenges you face, as well as the advantages you have as you learn to manage your finances. Financial experts generally cite anywhere from four to nine distinct money personality types. However, very few people fit into just one type. As you figure out your money tendencies, you'll discover emotions that money tends to bring on for you.

SPENDING HABITS

To bring this all together you'll need to take a look at your spending habits to determine what your money tendencies are. To do this you'll need to keep a spending journal. For the next month, write down everything that you purchase and hang onto your receipts. You don't have to track when you pay your bills, but you'll want to note things like lunches out and shopping trips. You'll find some significant habits by doing this and probably well over \$100 that you wouldn't otherwise remember spending.

The small stuff adds up. For example, a large fancy coffee drink (venti latte) costs around \$4.25 per day and well over \$1000 if purchased five days per week, 52 weeks per year. Cut the latte habit to Mondays and Fridays and you'll save over \$500 annually. If you buy a latte in the morning and then go out to lunch, you're spending over \$12 per day on food items. Keeping a spending journal will acquaint you with your habits.

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NEEDS VERSUS WANTS

The things we really need in life are limited and include food, shelter, relationships, and clothing. These are the basics that constitute needs for almost everyone. For students you might add books and supplies, tuition, and fees. Beyond that are wants and it can be very easy to justify nearly any purchase you can think of. Needs can be satisfied very simply (a cot on the floor and top ramen on a hot plate) to plush. How you choose to satisfy your needs is a choice. Can you downgrade your standard of living? If so, you may be able to graduate with significantly less debt than your peers.

Once you've completed your spending diary you'll find out what those habits are that you may have lost track of, as well as instances of where you've purchased a "want" and labeled it a "need." It's all right to buy wants on occasion but when you're trying to live on a lower income, your wants may be the cause of the biggest leaks in your spending plan.

The data you gather from tracking your spending will help you to have a better idea of where your money goes, as well as prioritize what you want to do with it in the future. Knowing these basic elements will help you to put together a budget that is realistic and manageable. Simply having a budget put together won't help you to spend less or graduate with less debt. For that you'll need to figure out what you really want to do with your money down the road.

SET GOALS

What do you want to do with your money? What do you want to do with your life? No matter what your goal is, there is usually a cost element involved. Setting goals and saving diligently for them is the driver of your budget: "I'm not going to buy a latte today so that I can afford to go somewhere warm for spring break next year."

The goals you set can help you to determine your financial path. If you find that your goals involve an expensive lifestyle, you'll need to consider exploring the area of your interests that might lead to a lucrative career. There are a few different types of financial goals to consider:

Short-term 6-24 months.

These are goals that you'll save actively for in order to meet deadlines. They might include car maintenance items like tires, or a vacation, or a long-term goal whose time has come.

Mid-range 2-5 years.

These goals may be bigger picture items like paying down debt or saving a down payment for a house.

Long-term 5+ years.

These are the big things such as retiring early or paying for a child's college education.

Getting to know the basic elements of your money personality will help you to set up a financial plan you can stick with. You'll reduce your stress and be on a path to prosperity.