

How to Kick Bad Spending Habits

Jennifer Lancaster

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Books & blog: www.JenniferLancaster.com.au

Author's History

Having battled with 'shopping addiction', I ran a tight ship for five years on a single fluctuating income with little previous savings. We got married, had a baby girl (not in that order), and ate well. Then we moved states and bought our first home.

Knowing our budget, we've avoided a credit card in favour of a Visa debit card, and we hope to pay down our mortgage before 2030... if compound interest and fluctuating interest rates don't get us first.

These are my principles for living wisely and planning ahead. It doesn't prevent all mistakes... but at least you know where you are. This book contains what I've found while researching how to save and how to make the most of your income.

I'm a Communications graduate, a copywriter, a marketer and a shopaholic in recovery.

Introduction

Click Frenzy...

Black Friday...

Boxing Day Sales...

Keeping out of debt is harder than ever these days, with promotions and credit offers encouraging us to shop, shop, shop. But if we understand the underlying reasons *why* we shop and become aware of our buying behaviour, we are at least halfway to curbing our over-spending habits.

The next step is to replace our indulgences cheaply, and save funds for the future, investing wisely.

You may think you need the willpower and discipline of a Yoga Swami to change spending and saving habits, but I will show you simple ways to change. Part I explains the tricks retailers use and lets you examine how your *thinking* influences your spending.

Part II outlines how you can change your habits; you are not just a consumer, but also a member of the community. Part III contains practical savings advice, comparisons and investing tips.

This condensed book is written “straight up” with no pussy-footing around. As your everyday recovering shopping addict, I understand modern pressures. It’s tough, but we’ve got to readjust our priorities if we want to be *happy* and *financially secure* in the future.

I am writing for the vast majority who overspend now and then. Those who think that their shopping is causing serious debt and relationship problems, please seek help from a qualified Counsellor.

The Trend towards Spending

For a good long time, Australian households have been spending as much as their income. In 1995, households only spent two-thirds of average annual household income. Living on the edge in 2006, households spent one-and-a-half times' average annual household income. By 2016, most households were funding their investments with borrowing against their assets in a more-or-less balanced way.

ABS said in 2014: "Household debt has increased nearly twice as fast as the value of household assets over the last 25 years. However, the rate of increase in household debt per person in Australia has slowed since the Global Financial Crisis, from an average 10% per year between 2001 and 2007, to 2% per year between 2007 and 2013."

Ok, that sounds good, but... because of the increasing debt levels of average householders and the frightfully high property prices in capital cities, middle income earners with mortgages are at risk of cashflow problems if there is a steady rise in interest rates.

So put up your submarine periscope and take a look at the general economy now and then. Things are going well, so are interest rates looking to rise? Strong consumer confidence is good for those in retail, but also look at whether it is based on a true foundation.

Spending without thought to the future is a dangerous pastime.

Sadly, we seem to have become a materialistic society. Some young women rely on their looks and fashion styling and take a shot at Instagram fame, while others hope to press their sexy red stiletto into some man's heart and get on board his gravy train. From yummy mummies to sporting daddies, the urge to impress peers and 'live the dream' (before it's due) is driving many a spending spree.

Needless to say, continuing in this way is not in the best interests of low and middle income families. Millenials, X and Y Generations will have to rely on their savings and investments to

fund their retirement, not the Government. So “spend now, pay later” could take on an entirely new meaning.

You must face some challenges to your thinking now if you don't want to worry about making ends meet in old age. After all, you might work now to bring in an income, but will you be able to at age 70?

Old formula: Spend now, pay later

New formula: Save now, spend later

Part I: Why Do We Shop?

Discretionary spending holds up the economy, since 50 percent of the stuff we buy is not terribly essential. So why do we shop for things we don't really need?

Shopping is a pleasurable activity; it can cause the brain to release dopamine, the same pleasure centre activated by food, sex, and drugs. This hit on our pleasure centre means about 6% of adults become shopping addicts – the inability to curb the desire to shop.⁽¹⁾

Stores arrange the layout, lighting, smells and sounds to arouse our senses and entice us to stay there and buy. You might notice the lack of clocks and the helpful arrangement of cafes in the malls, so we can stay all day.

¹ US survey of 2,500 people, published in American Journal of Psychiatry, showed 6.0% of women and 5.5% of adult men compulsively bought.

Another reason to shop is because of self-esteem and desirability. Women love shoes and handbags, but why? I believe we buy more shoes to feel desirable, to put our feet into something that's just pretty.

Many women are buying to feel better about themselves, regardless of whether they are completely aware of it. Sometimes women will shop to overcome a feeling of not being “sexy”, “young”, and “now”; or to fill a void they may only be dimly aware of.

If you look in your bathroom cabinet and see masses of skin care, cosmetics and hair care products that are mainly unused, then you too could be a victim of the lies and propaganda that skin product manufacturers and their sales reps trot out.

It's perfectly fine to look after yourself. But the real cause of this type of over-shopping is insecurity about looks, and a desire to be desirable. And this is the hardest of all causes to rectify as it is coming from a place deep within us, reinforced by many images on social media and in magazines of a physical perfection none of us can really achieve (even with plastic surgery). Photo editing programs make it seem like others are perfect, when in reality very few people have no pimples, lines, moles or sag.

Is Your Attitude Costing You?

Do you come home tired at the end of a hard day working, and think, "I deserve a... takeaway meal / professional cleaner / meal out"? Then you might be frequently falling into the Justification Trap.

With the pressures of urban life, more and more of us feel that we deserve an easier time, nice prepared-for-us food, gadgets, and nice clothes to make up for the fact that we work hard 40+ hours a week and give up much of our time.

Everyone deserves a treat now and then, but when this excuse is used daily, the toll it takes on our savings can be quite severe. There's the future to think of, and what you want in your future.

Staying at home looking after our children is also a tough job, and so there's plenty of justification for shortcuts or treats. A weekly lunch out is fine, but when it comes to dibbing into the baby's education fund for a facial and hair colour, perhaps that's going too far.

Once the Justification Trap is thrown out, a saver's lifestyle need not be a miserable one. Later I will explain ways to make up for small sacrifices with rewards, replacement, and imagining better results.

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