

# Your Money

by Cheryl Hanson Simpson



## Fighting the Urge to Splurge

*"I know I can save much more than I do right now, but I can't seem to stop shopping. Most weekends I'll go on the plazas just to look around, but by the end of the day I've spent thousand of dollars on things I really don't need. How can I stop this unnecessary spending? - Shopaholic*

Let's face it: shopping is fun. It's hard to match the adrenalin rush that comes when you see a SALE sign on the window of your favourite store, and it's easy to become addicted to the emotional high that comes from buying something new.

However, if you admit that you're wasting money on things you don't need, then your shopping is out of control. One of the keys to achieving financial freedom is being able to have power over how and where you spend your money. Every dollar spent on consumer items is a dollar taken away from building your wealth.

Assuming that every week you spend \$2,000 on things you don't need or want, then that's \$8,000 wasted for the month. Multiply that by twelve months and you would have blown \$96,000 on unnecessary items. But the real opportunity cost of out-of-control shopping is calculated in what this money could have earned for you. If you had invested this money every month and earned 8% net of tax, after five years you would have had nearly \$600,000 in your account!

How can you change this negative spending habit? You'll have to substitute the pleasure you get from shopping with a sense of satisfaction from building your wealth. Think about all the really important things that your money could achieve- a deposit on a house, or the business opportunity you always wanted, or just freedom from worrying about money. Be honest and admit that your wasteful spending is robbing you of the valuable things you could have in life.

The next step is to make a plan how you're going to realize these important goals in your life. If you knew that by saving an extra \$2,000 a week, you could actually stop paying rent and buy a house in just three years, you would be less tempted to spend foolishly. There are many financial institutions that can show you how much it would take to achieve your big dreams, so seek advice.

Even when you know that there are better uses for your money, curing your spending addiction isn't going to be easy. Here are three steps to help you fight the urge to splurge:

### **1. Make a List**

Write down all the things that you have to buy, and don't look at any item in the store that's not on your list. Before you head out on the road, decide which stores you going to visit and don't make any detours.

### **2. Go Back for It Later**

If you're in a store and are struck with a desperate desire to buy something, tell yourself that you'll come back and buy it tomorrow. Chances are you won't even remember why that item was such a 'must-have' yesterday.

### **3. Leave Your Money At Home**

If window shopping is a fun weekend activity for you, no problem! But if you really don't need to buy anything, take only enough cash to buy lunch, and leave your debit and credit cards at home.

## **Signs You Are a Compulsive Shopper**

1. Your cupboards are overflowing with decorative items that can't fit in your small apartment
2. The owner of your favourite clothes store has your cell number on her speed dial
3. You're excited about the new shoes you just bought, but when you get home, you realize that you had already purchased the same item two months ago (for less!)

(Originally published in THE DAILY OBSERVER, Thursday, February 23, 2006)