

## Impulse Spending: A Matter of Interest

Have you ever made a purchase and later regretted spending so much on the item or wondered why you even bought the item? Does this happen to you often? Unplanned spending to purchase things that you may or may not need is often referred to as “impulse spending”. Using credit or credit cards for impulse purchases can contribute to a cycle of ongoing financial difficulty.

There are many reasons why you may spend impulsively:

- Do you spend when you're in a good mood?
- Do you spend when you're feeling down or you've had a bad day?
- Do you buy gifts for friends or family?
- Do you like to buy things for your collection (e.g. movies, videogames or antiques)?
- Do you buy knowing that you'll be getting the money to pay for it soon; your next raise, money for your birthday or next commission cheque?
- Do you make a purchase because you feel that you deserve the item?



It's important to identify *why* you spend impulsively – it will help you find ways to change.

Spending when you're in a **good mood** is easy. At the clothing store, everything you try on looks great, they've got your size and since the red one suits you so well, you may as well grab a blue and black one at the same time. At the home improvement store, they've got the light fixture you wanted, but they've also got the flooring displayed that you think you may want next Spring for the kitchen; you may as well get that too while you're there anyways. You often make good mood purchases in a subconscious effort to make your good mood last longer, a mood which fades quickly when you realize you've just spent the grocery money.

When you've had a rough day and are **feeling down**, you'll try almost anything to improve your mood and make yourself feel better. A new book or cell phone with a catchy ring tone will make those three customers who argued with you at work seem like a distant memory. While your mood may improve temporarily, when the credit line statement arrives and you're short for the rent, the good mood will feel like a distant memory!

Regardless of your mood, **buying for friends or family** is easy to justify – you're returning a favour, needing a thank-you gift, it's the perfect thing for their front room, you want her to know you've been thinking about her, or you know that he just can't live without it! When you try to justify an impulse purchase, you can be very creative and come up with a list of reasons to put your mind at ease. All the creative calculations in the world, however, won't make it easier to pay the credit card balance at the end of the month.

But maybe you feel that you just **deserve** something new, or better yet, you'll **buy it now rather than wait** for your commission cheque - a newer pair of jeans or the new plasma television, which has no interest or payments until next year if purchased on the store's credit plan.

Money is always harder to earn than it is to spend and while it may be time for a new pair of jeans or a new TV, planning such purchases into your budget so that you have the funds in your account before you go to the store, allows you to maintain greater control over your money – not the other way around.

Impulse spending can cause debt; in some cases, a significant and unmanageable amount of debt. It's easy to let balances accumulate on 2 or 3 credit cards with the intention of paying them off in a few months. Add one or two "buy now – pay later" debts to the list and all of a sudden your future pay cheques are spent before you even see them in your account. When your debts start to get out of hand, so does your sense of control over your money. Looking at the mail and answering the telephone may become stressful activities and you may start to feel that your finances are controlling you. The feeling of losing control over your money can be frustrating, discouraging and extremely stressful, especially considering how hard you need to work for each pay cheque!



A little stress can be a good thing. It can motivate you to be effective at work, it can promote productivity at school and it can give you energy to accomplish things at home. Think of how quickly the yard can be cleaned up when you've decided to host a summer barbeque... next weekend! Too much stress can have the opposite effect. It can overshadow productive thoughts, de-motivate you and wear you out physically, mentally and emotionally. It can impair your communication ability with family, friends and co-workers and cause you to make poor decisions and judgements at work as well as in your personal life. A lot of stress can also lead to more impulse spending because a pattern of mood-related, self-justified and defensive spending develops.



Consider this situation: imagine that you've had a frustrating day at work trying to complete a project with your co-worker. It needs to be done for a meeting tomorrow morning where you'll be presenting the results to your boss as well as the district manager. However, you just don't seem to be able to convey your thoughts effectively to your co-worker so that the two of you together can complete the project by the deadline. You're drained from lying awake the last few nights wondering where the next mortgage payment will come from, not to mention the registration fees for your son's hockey and your daughter's gymnastics. Your mood is really low, so on your way home from work you decide to swing by the mall. Even though you don't need them, you rationalize that if you buy a new shirt and tie for the meeting, at least you could *look* successful.

Looking at this example, it seems that the poor mood caused the stop at the mall. The purchase was intended to improve the poor mood. Truthfully, the poor mood was caused by the financial worries, which caused the sleepless nights, which in turn, caused the distractions at work. Although the poor mood didn't *cause* the bad day, for the person experiencing this situation it may feel that way. Since the project results are still needed for tomorrow's meeting, the new shirt and tie (and new shoes as well) could be a justified expense in their mind. However, the money that was spent on these new items won't actually improve the poor mood. In fact, the opposite will happen because the sleepless nights spent worrying about finances will continue now that even more money has been spent... and the cycle of mood-related, defensive spending continues.



So what can you do to minimize impulse buying and make wiser spending choices?

You may struggle with this question all the time or periodically throughout your life. Recognize that impulse spending is as much psychological as it is physical. The physical conditions that precede spending money are often easier to identify: you would like to sell your apartment, so you spruce it up before you contact a real estate agent, or you may have received a birthday invitation from an old friend and need to buy a gift. However, there are thought processes that occur, often subconsciously, that contribute to your spending. These are the same thought processes that influence your judgement over needs versus wants when you build a budget. A coat of paint may be all you need for your apartment but you add new rugs, a new table and plants. While a birthday gift may be as simple as a card with an offer to join you for dinner so that you can catch up with your friend, you feel guilty that you haven't kept in touch as much as you'd have liked to, so you included a new CD and book with your dinner invitation and card. Recognizing the underlying strength of these contributing psychological circumstances will help you in your efforts to control your impulse spending.

- First, take the time to identify why you spend impulsively. It may be one of the reasons mentioned above or something else altogether. It is hard to change something that you don't realize exists, so think back about your purchasing behaviour, look at your credit card and bank account statements for clues or ask a family member or friend if they've noticed anything about your spending that may help you answer this question.

- Second, consider your current financial situation in relation to your spending:
  - Do you have debt that you are trying to manage?
  - Are your credit card balances high enough that it would take you longer than 12 months to pay them all off and leave them paid off?
  - Do you use more than 20% of your net monthly income to service debt payments?
  - Have you received a collection call or letter?
  - Do you lose sleep worrying about your finances?
  - Do thoughts about your debts interfere with your ability to concentrate at work or school?
  - Do you hide your spending from your partner?
  - Do you juggle which bills you pay each month because there just isn't enough money to pay them all?

If you answered “yes” to one or more of these questions, you may need to learn and use good money management techniques as well as put a plan in place to address your financial situation, which may be a contributing factor to your spending cycle.

Next, realize that it takes personal energy and resources not to buy something you'd really like to have. This can be the key to controlling your impulse spending. Fighting an impulse or urge is harder than giving in to one. Giving in to a spending impulse allows you to achieve instant gratification. This makes impulse control even harder because so often you receive delayed gratification; it's a nice feeling to be rewarded immediately for your work, not in 2 weeks when you get your next pay cheque. However, all the extra personal resources you expend to resist an urge or impulse to spend can wear you out. A successful approach to control your impulse spending needs to include strategies to maximize the personal resources that give you the energy to maintain control of your spending choices, as well as your money management plan. Here are some tips to help you:

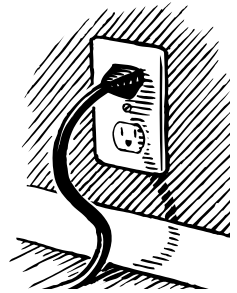


- don't shop when you're tired – it's harder to think clearly when you're tired
- don't shop when you're hungry – hunger can cause a variety of physiological responses that interfere with your ability to make clear and guided purchases
- shop without your children if you can – you won't have to consider their needs for a snack, drink or washroom break, allowing you to keep your energy focussed on sticking to your plan
- don't shop during extreme moods – feeling very good or very down distorts your ability to make wise decisions – “seeing the world through rose-coloured glasses” can make price tags seem too good to be true
- don't shop when you feel extremely stressed – you need energy to make good choices and a high level of stress zaps your energy
- if you're not sure if what you are planning to buy is a need or a want, ask yourself if you can live without it - if you can, then it's most likely a want
- learn to remove yourself from situations that deplete your personal resources and leave you unable to resist purchases

Consider the following example:

You like to stroll through the mall on your lunch break. Often you pick up a few items when you do that; a card for your friend who's moving, a little gift for your sister who's having a rough time with her boyfriend, a t-shirt for yourself to wear this weekend. To help avoid these impulse purchases, decide *ahead of time* what else you can do on your lunch break that will keep you out of the mall. By taking the time to plan ahead, you will have more energy to find a different activity to do or a different place to walk. Work to find solutions at a time when you're able to devote energy to think about it; then be ready to put your plan into action!

We only have so much energy and personal resources to draw upon to maximize our ability to resist impulse purchasing. Our personal "battery," our energy reserve, wears out as we go through each day and week. Life happens; our family members and friends need our attention, our work makes demands of us, our personal calendar becomes full of commitments. To avoid impulse spending, learn how to charge your batteries, as well as re-charge them on short notice when necessary, so that you have the energy to make wise choices more often than not.



Finally, keep in mind that setting boundaries for yourself is a personal choice, not a punishment. Deciding on a spending plan and setting a budget that allows you to meet all of your monthly and seasonal expenses without incurring further debt, gives you personal freedom to make choices rather than set limitations which you may resent. When you are able to balance the money extremes effectively – too much spending versus too much saving, you are able to spend guilt-free and without shame or resentment, knowing that your needs are met. Just think how quickly shame, guilt and resentment can deplete your energy reserve and personal sense of control – it'll happen faster than signing on the dotted line!

Don't be discouraged if you don't quite know how to start – [contact us](#) and get help. Our counsellors are able to give you a confidential, unbiased and non-judgemental assessment of your financial situation as well as assist you with developing a plan that puts you in control of your money.

## Impulse Spending Self Assessment Check List

1. I impulse spend when I feel:

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2. I impulse spend because:

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3. While I'm spending money I think about:

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4. After I have spent money, I've noticed that I feel:

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5. I feel that I should manage my money better:    yes    no    sometimes

6. When I spend impulsively, I leave myself short of money to pay my regular expenses:

          always            usually            often            sometimes            rarely            never

7. I recognize that I need personal energy to make wise spending choices:    yes    no    maybe

8. From the list of tips for maximizing my personal energy listed on page 4, I will try:

a. \_\_\_\_\_

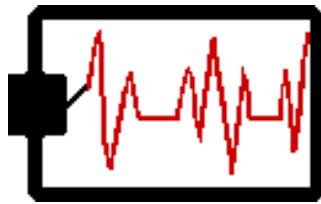
\_\_\_\_\_

b. \_\_\_\_\_

\_\_\_\_\_

9. My stress level in general is:    very low    low    moderate    medium    high    extreme

Check your (Im)Pulse



Change takes effort and can cause stress. Focus on what YOU can control and the changes YOU can make for yourself. This will minimize your stress and keep your energy pumping!

Before you make any changes to your spending behaviour, identify the triggers that deplete your personal resources and energy and cause you to impulse shop. When you're heading out the door, keep your **TEMPO** in mind:

**T**ime of day – is there a time when you have more energy? Shop at times of the day when you have more energy and feel less stressed and pressured so that you will be able to make wiser choices.

**E**nvironment – are there certain environments that cause you to want to spend or make you feel obligated to spend just because you're there? For example craft fairs, home shows, malls, electronics stores, when you're on holidays or away from home on business are all times when it's easier to spend impulsively. Limit your opportunities to spend in such environments by either not going there or keeping your money safe from yourself. More on that next!

**M**ood – certain moods and emotional states deplete your energy resources and can make you more prone to impulse purchasing. Other moods colour your shopping with “rose coloured stickers” and everything looks like a great deal. Identify the moods that affect *your* spending behaviours: happy, sad, hungry, tired, distracted... and find ways to not shop during moods that will cause you to impulse buy.

**P**lace – is there a certain store or city that's your weakness? Do you like to shop for craft supplies at a favourite store? Do you like to wander the aisles in the home improvement or tool store looking for great deals or ideas? Maybe you find yourself impulse shopping when you visit a certain city. If there is a place to avoid, do all that you can to limit your opportunities to go there. If you must still go, then keep your money safe from yourself... more on that shortly.

**O**ccasion – is there a specific holiday or tradition that causes you to impulse buy? Does shopping with a certain friend contribute to unplanned spending? Do you spend impulsively when you know that you'll be getting a lump sum of money but you haven't got it yet, e.g. a bonus at work? Occasion-determined spending can be best controlled by having a budget that allows for seasonal and irregular expenses. Keeping your money safe from yourself will assist with this as well.

**Tips to tie up your funds  
to keep them safe  
from yourself!**



Despite your best efforts to control your TEMPO and stay on top of your energy resources, you still may need a little help controlling your impulse purchasing and maximizing your ability to make wise choices. Once in place, this is the easy part! Tie your money up to keep it safe from yourself:

- have two bank accounts and keep your savings separate from your chequing or routine transaction account
- only allow deposits to your savings account when doing electronic (ABM) or internet banking – set it up so that you have to go to the teller to make a withdrawal
- set up direct deposit to your savings account for a portion of your pay cheque – out of sight, out of mind
- move your savings account to a financial institution that you don't go to frequently
- take your savings account off of your ATM card or move it to the "other" button so that you can't access it in the stores
- lower your cash withdrawal and debit limits on your ATM card
- don't shop with your credit cards in your wallet – keep them locked up in your safety deposit box
- keep track of your credit card spending with a cheque register booklet – jot each purchase down as you do when you write cheques. This gives you a very visual account of what you've charged and will need to pay for later.
- only pay with cash – once it's gone, it's gone

Now that you're aware of some of your triggers and you've tied up your money to keep it safe from yourself, the final step that will help you control your impulse spending behaviour, is to plan to walk to a different beat, literally. Fill in the following table based on your **TEMPO** and plan your steps to change:

<b>Possible Triggers</b>	<b>I tend to spend impulsively when ...</b>	<b>Instead I can ...</b>
<b>Time</b>		
<b>Environment</b>		
<b>Mood</b>		
<b>Place</b>		
<b>Occasion</b>		