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THE WEEKLY GUIDE TO MANAGING YOUR MONEY

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Are You Spending More and Enjoying It Less?

By VERONICA DAGHER

When a taco shop opened across the street from Stefanie O'Connell's New York City apartment, she figured it would be harmless to go there a few times a week and grab a quick dinner.

But before she knew it, the actress and freelance writer was dropping \$10 to \$15 a week on tacos—that comes to more than \$500 a year, or just about enough to pay for a round-trip ticket for her dream trip to Amsterdam.

"Dining out has always been a budget buster of mine," she admits.

Ms. O'Connell decided to rein in her taco habit and save for her trip by wrapping a picture of Amsterdam around her cash and credit cards.

So far, it's working. She hasn't had a taco in a month.

Few of us will have our dreams thwarted by the cost of a couple of tacos, but there's one thing most financial advisers agree on: Americans spend way too much.

You may overspend because you're bored, you have no budget or you want to keep up with your neighbors.

Or you might be letting your emotions dictate your financial decisions.

Whatever the reason, you may be setting yourself up for a financial disaster.

But fear not: There are a few ways you can rein in your spending before it's too late.

Tracking your cash flow and tapping into your feelings are two things financial advisers say you can do to curb your urge to spend.

"The spending choices you make now will greatly impact your quality of life later on," says Patrick McDowell, a Miramar Beach, Fla., financial adviser.



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Get a Plan

Financial planner Jorie Johnson once met with clients who had more than \$50,000 in credit-card debt. The Manasquan, N.J., planner asked the couple where the boat or pool or RV was that they purchased to incur such a debt.

"They couldn't even remember one thing they bought," Ms. Johnson says.

Ms. Johnson found out later that all of their debt was from many purchases of under \$100 which compounded over time when they paid their credit-card bills late. The wife also had a "penchant for Target and Old Navy," Ms. Johnson says.

To help her clients get back on track, Ms. Johnson recommended the wife shop only with a list and pay with cash. She also told her to get a part-time job.

"If you aren't earning money or sleeping, you're most likely

spending," Ms. Johnson says.

Jeff Duncan says folks usually overspend because they have no budget.

"Money comes in and money goes out each month without any grasp of what their actual monthly overhead expenses are and what their actual monthly household income is," says the Little Falls, N.J., financial adviser.

In turn, Mr. Duncan says to create a budget. He also says to set up monthly automatic deductions from your checking account into an emergency savings fund or investment vehicle such as a 401(k) or individual retirement account. That way, the money is siphoned off before you have a chance to spend it.

Karol Ward, a New York psychotherapist, says to track everything you spend for a month using a small notebook or an app such as Wally or Mint. Doing that will help you see areas where

you may be overspending, she says.

Understand Your Emotions

Ms. Ward recently worked with a client who overspent at restaurants because he was always picking up the check for everyone at the table.

The client felt insecure about his success and compensated by showing others that he was successful enough to buy dinner. But at the end of the month, he always struggled to pay his credit-card bill.

"Overspending on others actually made him feel less successful because he never had enough money for himself," Ms. Ward says.

This client's need to keep up the appearance of success kept him in a perpetual state of anxiety and fueled his feelings of inadequacy, she says.

To make more-conscious

spending decisions, says Chicago financial psychologist Marty Martin, ask yourself "What need am I trying to fulfill?" or "How will I react when the credit-card bill comes in the mail?"

"The key is to be mindful about spending rather than engaging in the automatic behavior which is the goal of the marketers and merchandisers," he says.

Seeking the counsel of a coach or minister to help you uncover your feelings about money can also help, Ms. Ward says.

Lauren Lindsay, a Covington, La., financial planner, recommends waiting 24 hours before making a purchase. And don't take your frustrations out by shopping online, either. "Take a walk or bath," she says.

Know Your Hot Buttons

In addition, Ms. Lindsay says it's important to know your spending "hot buttons."

For example, Ms. Lindsay says she can spend \$100 in Barnes & Noble in about 20 minutes.

Why? She loves to read, and she was very poor when she was young. Other kids owned books, but she had to borrow library books. Returning them always reminded her of her poverty. To this day, books are some of her most treasured possessions.

In turn, she's set a monthly budget for books so she doesn't overspend. She recommends you do the same for your hot buttons.

"Figure out what gives you joy so you can have it in moderation," she says.

Constance Stone, a Chagrin Falls, Ohio, financial planner, says to keep a daily gratitude journal to focus on all the "positives" in your life. This may help you lessen the feelings of "not having enough," she says. It could also prompt you to place more value on nonmaterial aspects of life, such as family and friends.

Prioritizing and setting a time table for buying big-ticket items can also help keep spending in check, says Ms. Stone.

San Diego financial planner Peg Eddy says to visualize a big goal, such as retirement—or a dream trip to Amsterdam—that you wish to save for, and recall a picture of it every time you're tempted to spend money on something that doesn't align with your goal.

"Sometimes it can help you understand that cutting back here and there can help underwrite some big goal," she says.

But if you're stuck in a cycle of overspending, you may need to take more extreme action, like Ms. Johnson's clients with way too much debt and too little to show for it. Her advice: "Cut up your credit cards."

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