

# Fundamentals of Money Management

## How to Determine Your Spending Personality

June 17, 2013 by [Guest Commentary](#)



OPINION – Budgeting and finance are two of the most important factors in measuring the quality of life in America. If your financial situation is in turmoil, so is your happiness. As the old saying goes: “When money gets short, so does understanding.” Generally speaking, in the African American community, we do not focus on our finances until it becomes a serious issue. In order

to get a handle on your finances, we must ask ourselves a very important question: Why do we buy the things we buy?

The answer: The things we buy reflect our personal consumer consumption preferences or our “spending personality.”

Your spending personality is who you are. If you look around, you will notice we all do not dress alike, we do not eat alike and if you went into our residence or rooms, everyone’s would be different. Knowing your spending personality is like knowing yourself and will help you understand, manage and control your finances and improve your quality of life.

Question: How do I find my spending personality?

Here is an exercise to assist you finding that out. But a word of caution: It takes discipline and a little effort, but when it is done correctly, it will be the first and last time you will ever need to do it.

**Getting Started:** Prepare a prepared a projected budget of what you think are your monthly expenses are.

**Step 1:** Collect your spending data

- Collect receipts for 45 days. Collect every receipt you get on every item you purchase no matter how small it is. Put them in an envelope or a paper bag. Keep the envelope or bag in your car, workplace and at home. You must get in the habit of collecting the receipts which normally takes about 15 days. You must collect data for 45 days because in the beginning you may forget a receipt and it takes about 45 days for you to accurately capture your spending habits.

**Step 2:** Spread all the receipts out on a table and build an actual budget for your expenditures. The budget may consist of the following:

- Household: Utilities including gas, electricity, garbage and water, telephone (both cell phone and land lines), internet subscriptions etc.
- Transportation: Gasoline, car care, maintenance etc.
- Food and Water: All groceries.
- Health and Medical: Health care, dental and vision.
- Insurance: Health, life, disability, homeowners etc.
- Childcare: Including school expenses.
- Credit Card Debts: Including credit cards and other debt.
- Personal items: Soaps, dry cleaning, beverages (all types) etc.
- Donations/Gifts: Including church and other charitable contributions.
- Recreational: Entertainment, going out (club, movies), vacations.
- Savings/investment: Including 401(k), stocks bonds etc.
- Add items that do not fit into one of the categories listed above (as needed).

**Step 3:** Analyze your spending information:

- Organize your receipts based upon Step 2.

- Analyze your purchasing habits.
- Separate the things you need from the things you want based upon what is most important for you to survive. **Needs:** are things you need every day just to live (staying within your budget). **Wants:** things you would like to have such as vacations, Christmas purchases etc.

**Step 4:** Prepare a monthly budget based on Step 2

- Start with a projected budget.
- At the end of the month compare the actual budget to your projected budget and make adjustments.

**Note:** you can prepare a budget by writing it out or putting it on a computer with a software program like Quicken, Microsoft Money or spreadsheet (Excel)

**Step 5:** Once you have mastered your monthly budget:

- Expand your spending for the things you absolutely need.
- Collect coupons, look for discounts on those items and look for those things on SALE.

Once you have mastered your monthly budget, you can begin to reduce any outstanding debt you have so you can save money for other things you want in life.

This is your first step to financial freedom. It is a big step so plan carefully and stick to it.

Our next article will be on getting your house in order (from a financial point of view).

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