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## Five ways to keep a check on your spending habits

Changing spending behaviour requires a shift in mind-set and also habits. Here are five tips to get you started

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They say spending is therapeutic, but what they don't tell you is that often this experience ends in a hangover. Like with most things, spending money in moderation is the best way to enjoy your acquisitions. Of course, changing spending behaviour requires a shift in mind-set and also habits. To get you started on this road, here are five spending tips.

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## Tip 1: Earn before you spend

Don't blow money that you don't have. If you are due for a bonus in 2 months and a hike in salary next month, you suddenly feel richer and that leads to overindulgence. When you chalk out your expenses on the basis of future income, you need to realise that the income flow may not adhere to your timeline or may not come at all.

Let the money first come into your account. That way, you know exactly what your financial position is. You can then draw up more realistic budgets for your spends.

## Tip 2: Look at savings in absolute numbers

According to behavioural scientist Anand Damani, partner, Briefcase, a classic mistake is to be hooked to prices and look at savings in percentage terms instead of absolute money saved. "You may feel happy when you haggle down the price of vegetables from Rs100 to Rs75, but think nothing of a Rs25 discount on an expensive watch," said Damani. "This is because you anchor yourself to the price, when you should concern yourself with the absolute amount that you are spending or saving. Focus should be on prioritising spends and maximising savings in absolute terms," he added.

## Tip 3: Be wary during sale season

It's a fact that discounts push people to spend more—you think you have saved, when actually you may have over-spent. Chalk out a budget, and make a list of things you need. "During a sale, people buy things that they do not need. Ask yourself whether you truly need that product," said Vishal Dhawan, founder and chief executive officer, PlanAhead Wealth Advisors.

Do some research, especially when you shop online. There are price tracking and comparison tools that give you historical prices of a product. For instance, [keepa.com](http://keepa.com) tracks prices of products listed on Amazon, including Amazon India, and provides price history till over a year. Similarly, [buyhatke.com](http://buyhatke.com) provides price history as well as price comparison for several Indian e-commerce sites.

## Tip 4: evade the minimum balance trap

Using a credit card has its benefits, but some use it to inflate their disposable income and then pay just the minimum balance on the outstanding amount each month. You are headed for a debt trap this way. Some credit cards charge interest at 3% per month on outstanding amounts. So, if you have an outstanding of Rs10,000, and repay only the minimum outstanding of 5% each month, then it would take you over 35 years to bring the outstanding amount to below Re1. In this time, you would have paid over Rs13,000 in interest alone. And this is assuming that you don't spend anymore on this card.

Credit cards provide convenience, and may even be a way to protect your debit card from a fraud. But don't make the mistake of thinking that a credit card increases your disposable income.

## Tip 5: avoid reward points, memberships

Memberships don't make sense unless you are an active user. Evaluate your need for one. Look for hidden fine print or how actively you need to use the facility.

The same is true for memberships that offer reward points. You must understand that you need to spend first to be able to accumulate the reward points. Some memberships may not let you redeem these points during sale season or come laced with fine print and expiry dates.

You are being subconsciously nudged to spend more, because at the back of your mind you think you are stashing away for a future shopping fiesta.

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