Good vs. Bad
SPENDING

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ServU Credit Union

- IT'S A -
MONEY THING®

Use *psychology* to BUILD A BUDGET you'll *stick* with!

When you start looking for financial advice, experts will share their take on what's "good" and what's "bad," but they will often contradict each other.

IT'S TIME TO

RETHINK

Rather than trying to follow all of the expert advice, start by losing the desire to classify everything as “good” and “bad.” Instead, just remember these three steps.

STEP 1

PRIORITIZE

STEP 1 PRIORITIZE

Prioritizing your goals means taking a little personal reflection time and writing a few things down.

STEP 1 PRIORITIZE

What do you want your life to look like over the next few years?

It could be your dream to train for a new career, have an adventure in a foreign country, start your own business or raise a family

Prioritizing your goals should not be confused with categorizing your expenses

You shouldn't prioritize what you think you "should" be saving up for—do not let other people's priorities define your goals

STEP 1 PRIORITIZE

Allow your goals to be a judgment-free zone—goals and dreams are as diverse as the minds and personalities behind them.

In most cases, goals reach beyond the familiar trifecta of "pay off student loans, buy a house, save for retirement."

STEP 1 PRIORITIZE

WHY PRIORITIZING WORKS

Prioritizing your goals gets you buzzing about what your money can do for you.

There are a couple of motivating factors at work here.

1

You are asserting your beliefs and your values

You are reminding yourself of why you're willing to adopt a budgeting system in the first place

Studies show that you're more invested in activities that reflect your personal values—this is what generates stamina and determination

2

It reminds you that you're in charge—that you have a say in where your money goes

Social scientists point to autonomy as being a critical element to sustain motivation

It's powerful to realize that your budget is a collection of choices you make in order to create the life you want

STEP 1 PRIORITIZE

GET STARTED

- Grab a pencil and paper
- Ask yourself what you want
- Think about it for 10 minutes
- Write the answers down
- Realize your goals are achievable

STEP 2

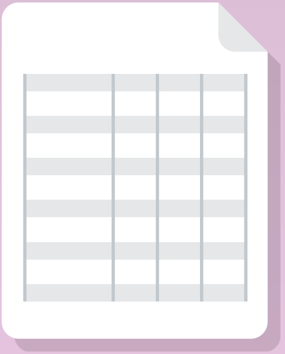
TRACK

STEP 2 TRACK

Tracking your expenses means being aware of where your money is going *as you spend it.*

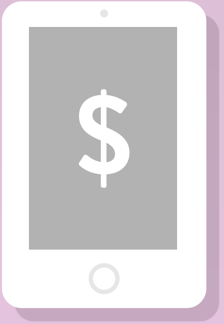
IT'S TOTALLY UP TO YOU

PAPER



Some swear by tracking their expenses with good ol' pencil and paper

APPS



Others like to use budgeting apps on their smartphone or spreadsheets on their computer

ENVELOPES

Some gravitate to unique approaches like portioning their spending money into envelopes


When you track your expenses,
a couple of things will come to light.
You start to realize that every transaction, no matter how big or how small, is either contributing to a goal or taking away from it
The second thing you'll notice is that the longer you've been tracking your expenses, the more you'll see evidence of your progress

STEP 2 TRACK

WHY TRACKING WORKS

Another critical element in sustaining motivation is competence, or your ability to do something well.

We thrive on being reminded that we're improving.

Tracking your expenses helps you to identify your spending patterns and to course-correct when necessary

By tracking your spending, you're also tracking your effort—you're creating a record of your progress along with a record of your transactions

Before long, you'll have tangible evidence of how your actions and your follow-through are contributing to a calmer, happier financial life

You'll see how capable you are of budgeting and you'll find it easier to keep your budgeting winning streak going

STEP 2 TRACK

GET STARTED

- Try out a new budgeting system today
- Browse the App Store or the web, or pick up a book
- Don’t spend much time comparing budgeting approaches
- Just pick one and try it out

STEP 3

REWARD

STEP 3 **REWARD**

Rewarding yourself means encouraging and celebrating your progress as you create healthier financial habits.

MILESTONES

Time-based
Use budgeting app every day for 30 days

Achievement-based
Pay off all credit card debt

Increment-based
Emergency fund reaches $500, $1,000, $2,000

REWARDS

Material rewards
Fancy coffee, movie night, new gadget

Time- and experience-based rewards
Give yourself permission to spend an entire day just vegging out

STEP 3 REWARD

WHY REWARDING WORKS

Quite simply, rewards feel good. Rewards highlight our achievements and renew our commitment.

1

As kids, we loved earning those gold star stickers

Although that familiar achievement/reward structure practically disappears in later years, it doesn’t mean that rewards are any less effective in adulthood

2

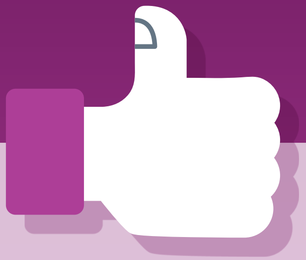
Assigning rewards to a milestone creates added incentive and boosts your motivation

When you earn, claim and enjoy a reward, your brain gets an extra hit of dopamine, which increases your focus and drive

GET STARTED

- Brainstorm a list of budgeting milestones and a list of possible rewards
- Set a timer for 10 minutes to keep yourself on track
- After the time is up, assign the rewards to your milestones
- Rewards should celebrate your efforts and be exciting to work toward

When you reach your milestones, claim your rewards!



Incorporating ***Prioritize, Track, Reward*** into your budgeting method of choice will boost your motivation while tackling your personal finance goals at the same time.

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Sources: Forbes.com, ScientificAmerican.com and Time.com

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