

# New year, new you!

## Don't let overspending spoil the start to your year

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Welcome to 2023 – a new year and a blank slate of 12 months, 52 weeks, 365 days, 8760 hours and 525 600 minutes to make changes, take on new opportunities and set new goals.

We all kick off a new year with certain resolutions in mind, such as eating healthy and exercising more. More often than not, it's not just our dress or pants size that feels a bit tighter than before the holiday indulging, but also our purse strings. Too many people are left with more month than money after holiday spending, with January probably feeling the hardest.

Whether or not you have an extra dime to spend at the end of a year, or perhaps at the start of this new one - by means of employee rewards (such as a bonus), or by not spending all you set aside for the holiday gifting season - why not use the start of the new year to get that savings mindset into gear. If you have overspent, drawing on the below tips in the new year is even more important.

### 1. Identify your spending habits

Stop rationalising and start recognising your spending patterns. Are there certain areas of spending where you tend to go overboard? Maybe you get carried away buying gifts during the holidays. Maybe it's an extra glass of wine when dining out. Justifications such as, "I deserve it" or "everyone else has one" could also be triggers for overspending.

Whatever the trigger, you can't make changes until you know where to put your focus.

Here are some prompts to get you started:

- Think of a time when you kicked yourself for spending or overspending.
- What did you buy or do?
- What were the emotions you remember feeling leading up to and just afterward?
- What did you have to give up because you overspent?

This can be the hardest step because it requires honest self-reflection. The more honest you are with yourself, the more you can home in on your true motivations, making lasting behaviour change more attainable. In the long run, overspending can cost us more than it's worth in terms of peace of mind.

### 2. It's ok to have setbacks – Try, try and try again

Practice makes perfect! Don't view a mishap as a failure and become discouraged – rather use it to learn and identify where you went wrong, making a mental note to be a bit more cautious in future.

For Financial Advisors and their Clients

Overspending isn't something many people talk about openly, so it's not likely you will have a crowd of people to cheer you on as you navigate your temptations. You will probably need to be your own cheerleader. That can be tough but be assured you are not alone. Millions of people struggle with overspending and deciding to make a change is something to be proud of. Some days will be easier than others.

Habit change takes time and repetition. One way to help solidify a new habit is to reward yourself immediately when you do the new thing instead of the old. The reward doesn't need to be large, or by means of buying something or spending money. Something as simple as a mental, "Yeah!" as you walk away might do the trick.

No matter how you choose to do it, make sure you find a way to bask in the feeling of accomplishment and self-respect for at least a moment whenever you successfully resist temptation. This will help mentally reinforce the new pattern of behaviour.

### **3. Set goals as a motivation to stick to your plan**

In the wise words of Greg Reid – "A dream written down with a date becomes a goal. A goal broken down into steps becomes a plan. A plan backed by action makes your dreams come true."

#### **Step 1: Document your goals and write them down**

The first step is to document your goals by time horizon. Group them into one of three bands: short-term goals (achieve in five or fewer years), intermediate-term goals (five to 15 years from now), and long-term goals (15 years or more in the future). Morningstar has created a great [template](#) for this if you need a starting point.

#### **Step 2: Quantify your goals.**

The next step is to estimate the cost of each of your goals. For short- and even some intermediate-term goals, this should be straightforward, but estimating the cost of multiyear, long-term goals like retirement is trickier. There are a few online calculators available, but your financial adviser would be best placed to help with these estimates.

#### **Step 3: Prioritize your goals.**

Finally, prioritize your goals by numbering them in the left-hand column on the [Goal Planning Worksheet](#). Of course, you want to let your own wishes inform your priorities but give plenty of weight to what makes sense from a financial perspective and what will deliver the highest return on your investment.

#### 4. Manage your money and don't let your money manage you

The easiest way to prevent yourself from spending what you should be saving is to set up a monthly debit order and let it do the work for you. Warren Buffett's words will always ring true - "Don't save what is left after spending but spend what is left after saving".

It is important to note that, it's the habit of saving that matters most, and less so the actual amount. Of course, the more you save the better, but getting into the habit can be the hardest part. You will be surprised how rewarding it is to see how quickly you can build up a nest egg and the incredible power of compounding.

#### In conclusion

The key to being successful is to stay motivated throughout the process. Now and then you are going to have a setback. Setbacks are o.k. - as long as you keep doing your best and get back on track as soon as possible.

Share your goals with your financial adviser and family to keep yourself accountable, break down your goals into smaller steps, and reward yourself when you hit major milestones. With patience and commitment, you can improve your financial situation and rest easier about your future. ■■■

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