

Getting Started with



Conscious Spending



by Creative Money



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Why I Hate Budgets

I hate budgets. For years, I resisted anything that felt like tedious, methodical money tracking.

Sure, I made okay money decisions about how much to spend on rent, and I was saving into my 401(k) at work and I was debt free, but beyond that, I was clueless about where my hard-earned money was going. I had bigger fish to fry—dating, getting my masters in business, studying and generally working hard and playing hard.



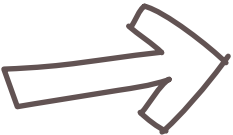
Then I became a financial planner. It might be surprising to learn that **most financial planners have NO CLUE about budgeting**—and when you're compensated to manage people's assets and sell products, cash flow is important but entirely secondary to getting the sale. And like most self-employed people, planners think the solution to their money problems isn't to spend less, but always to make more money, regardless of the current reality.

Conscious Spending

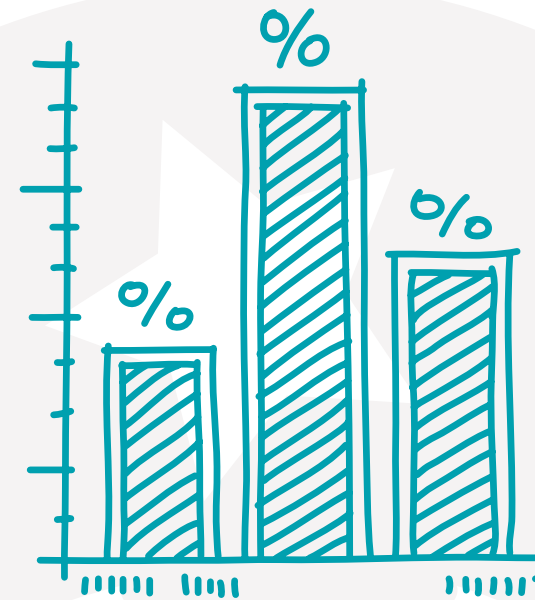
Introduction: Why I Hate Budgets

I didn't last too long in that environment; long enough to get my CFP® certification and long enough to build a practice and meet a lot of interesting clients. It was actually when I started paying attention to some of **my higher net worth clients** that I realized they **were all doing some kind of budgeting**. Sure, some of them were making truckloads of money, but they knew exactly where it was all going.

I also noticed that the **people who were struggling**, or who were trying to figure out how to pay for the things that they wanted, like vacations, remodels and other big ticket items **generally had no idea where their money went**.



It actually didn't matter how much or how little their incomes were, I started to see that lack of budgeting created an ambiguity in their entire financial situation.



So I embarked on my first budgeting efforts—and believe me, it was difficult! At first I tried just recording my purchases, the way I had seen my mother do; unfortunately, I flaked out on it pretty quickly. I thought I needed something a little more structured, so I looked at software. Quicken or Microsoft Money were the only budgeting software options at that time, and one of my clients recommend Quicken, so off I went.

“The goal here isn’t to completely eliminate spending, but to simply be as conscious about it as possible, and to get the best use out of every dollar you spend.”

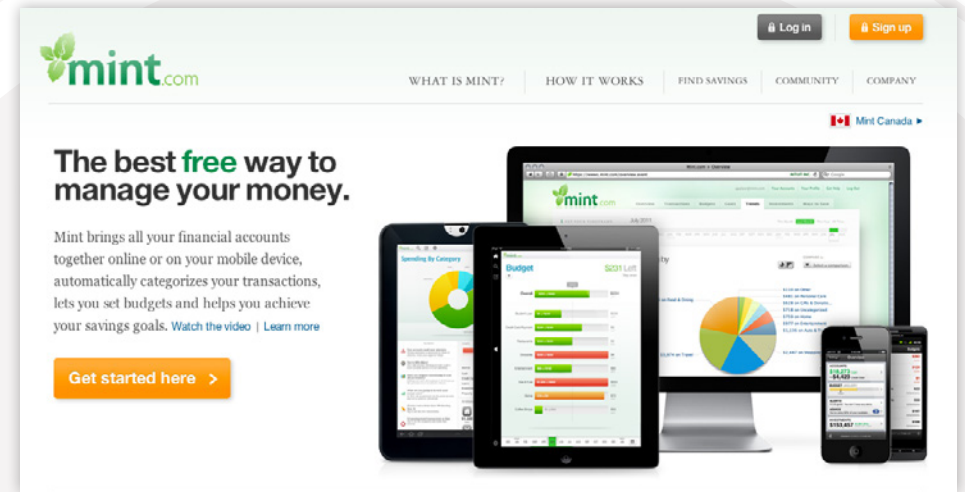
Conscious Spending

Introduction: Why I Hate Budgets

I can't tell you how many times I started Quicken, only to flake out again. I felt like I was spending so much time downloading and categorizing purchases that I never actually got to understand the big picture of understanding where my money went. And if you don't maintain Quicken consistently, you have to pretty much start from scratch every time you start over (or, at least that's the way it was when I was trying to use it).

My Quicken love-hate relationship went on for years. YEARS! I knew there were other options, but I was afraid of abandoning Quicken only to find I liked another program even less. Finally, at the end of 2007, Aaron Patzer invented Mint and my life was changed forever. I'll talk more about what I love about Mint later, but suffice it to say, my tracking became much easier!

Since I had finally found a system that worked for me, I



was able to better help others too. I no longer had to say, “I use Quicken, but I hate it, so good luck...” because I finally had a process I believed in. Then I realized, tracking your spending effectively was quite a hurdle that I FINALLY cleared after several years of struggling, but it was by no means the end of the budgeting journey. **I realized that even though I was getting clearer about my spending behaviors, it was still an ongoing challenge to understand the “why” behind some of the spending decisions I made.**



Fundamental Truths About Budget Limitations



When I was working with clients, I arrived at some fundamental truths about the limitations I experienced when trying to help others with their own personal budgets:

1. Budgeting is a lifestyle choice. Budgeting is the area of financial planning that takes the most home practice; I can tell someone exactly what to do with their IRA, but then it's done and we don't really have

to worry about daily or even monthly decisions around that investment. With spending, it's an ongoing challenge, like eating healthy.

2. Budgets are highly subjective. Two people earning the exact same amount of money will have drastically different ways of spending it. Imagine the single guy who makes \$150,000 per year working at Amazon, versus the married guy with 2 kids who makes \$150,000 per year working at Amazon; although

the cash inflows are the same, that is where the similarities in their situations end!

3. Budgets are highly personal. I may suggest to one person they cut back on eating out and they're fine with it, while I make that same suggestion to another person and they go postal on me.

4. Budgets are driven from within. Budgets are what separate the financially successful from the financially mediocre. Bottom line, the way you become financially successful is to spend less than you earn. That's it. I can't force anyone to make that choice.

5. Only YOU know how to create a Budget that satisfies you. I can tell you what is common in terms of spending in different categories, but that doesn't necessarily mean that standard will work in your own life, or even make you happy. Therefore, I

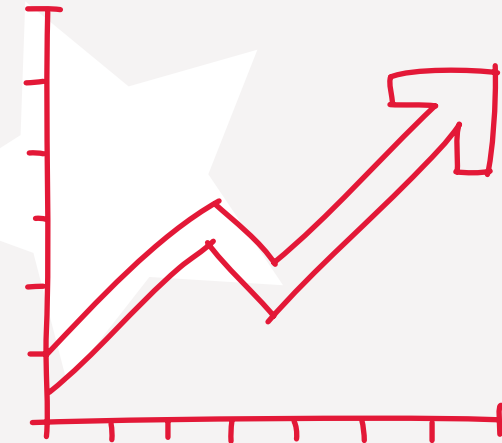
believe every individual is the authority on their own spending. If I can teach you how to think about it, and make revisions based on what feels best given your desires and goals, then you've conquered one of the most difficult areas of personal finance.



Eliminate The Word “Budget” From Your Vocabulary

Back in the old days, I used to associate the word “budget” with deprivation and sacrifice—much like some people probably have the same association with the word “diet.”

I resisted the act of budgeting because I thought that I would be forced to make changes that I didn’t want to make—not that I knew what those changes would be necessarily, I just didn’t want them!



Later on, when I started budgeting, I realized that yes, there might be change that needs to happen, but I also had so much more understanding about the dynamics of my spending that I felt much more powerful than I did when I just went with the flow. I really started to understand that budgeting in and of itself is NOT:

1. **A system of deprivation.** There are lots of frugality experts and blogs out there, but I am not one of them. I am okay being frugal if I have decided that

a specific expense is not worth spending money on, but I am not frugal for frugality’s sake. For example, I’ll buy a purse at Target for \$10, but I’ll spend \$40 on Lancôme foundation because I get a lot of satisfaction out of it (and then, I’ll buy my mascara at Target again).

2. Arbitrary slashing of expenses. If someone were to just go through and tell you how much you should be spending in all of the different expense categories, it wouldn’t be meaningful to you. If it’s not personally meaningful and in alignment with your values and priorities, you’re not going to stick to that budget.

3. A time-sucking, boring review process. Even though I am a financial planner, I am the LAST person who wants to spend hours upon hours analyzing financial data—I want to get it done so I can go enjoy life! This means that assessing your spending on a weekly, or

biweekly basis has to be efficient and focused, so you know exactly what the next steps are every time you review.

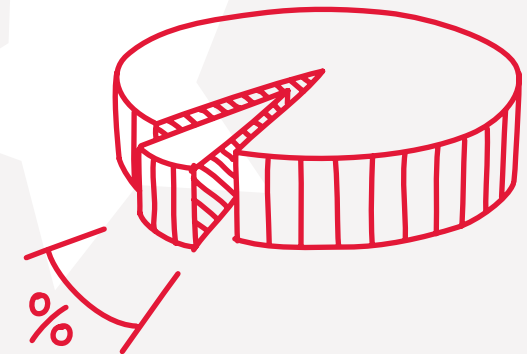
4. Nit-picky tracking. I admit, I do track every dollar I spend, but I never feel like I am nit-picking anymore, the way I did when I was first learning about budgeting. This is because the best budgets allow you to understand and let most of your spending go on autopilot, so you’re only working on some specific targeted areas.

What really helped me move forward was that I gave up on the word “budget” and started using the term “spending plan.”



“...we need to stop thinking about budgets as something that prevents us from doing something...and start thinking of it as something that HELPS us become more conscious of who we are relative to our relationship with money.”

The New Conscious Spending Paradigm



Changing my thinking from a “Budget” to a “Spending Plan” changed how empowered I felt about my money.

To me, a “spending plan” was more about ME being in charge of the process, and in control of how I allocated my money. Regardless of what we call it, we need to stop thinking about budgets as something that prevents us from doing something (spending money on things we want), and start thinking of it as something that HELPS

us become more conscious of who we are relative to our relationship with money.

When I help my clients figure out a budget, these are the goals I have for them:

1. **The ability to spend strategically and get the maximum satisfaction out of every dollar spent.** No one wants to feel like they are wasting money on useless expenses, yet that’s what is happening unless you’ve really become conscious of every single dollar.

2. A balanced allocation toward short, mid and long-term goals and needs. Lots of people start to think about budgeting because they are worried about maximizing their short term cash flow or debt repayment, but once you feel confident about those things, it opens you up to thinking about the future.

3. A greater understanding and comfort level with your current place in the world. Some people mistakenly believe that their ambiguity about spending causes less pain than actually knowing what is going on. That might be true initially, but just like you have to step on the scales if you want to lose weight, you must gain clarity around spending to improve your finances. Knowledge really is power.

4. A renewed focus and vigor about what you need to do to improve your financial situation. When you're trying to lose weight, stepping on the scales and

measuring your loss helps you know exactly what to do next—and when to celebrate a loss. The clarity and progress you experience from getting completely conscious about your spending will motivate you to do more with less, and be more satisfied with where ever you're at currently.

Conscious spending gives you the power to act completely appropriately at whatever level your spending should be at given your current situation, but it also empowers you to understand what's important to you in life, so you can start planning where excess dollars will be allocated at the NEXT level in your life.



Avoid Common Pitfalls of Spending Plan Creation



Sometimes people start their spending plan with the best of intentions and jump in enthusiastically, making changes and cutting back . . .

wherever they can, but your spending plan won't last if you don't prepare properly. Here are some problems I come across pretty frequently that often guarantee a spending plan's long term failure:

- 1. Crash Cutting. Budgeting is a lot like dieting**—you

cut back in hopes of freeing up extra dollars, and if you just arbitrarily cut back (and cut out your “fun” expenses) it might yield some immediate results. In reality, however, the short term spending deprivation actually prevents us from succeeding in the long-term. Just like drastic dieting will produce food bingeing, drastic expense cutbacks cause binge spending.

2. Static Lists. Most people create a spreadsheet or a checklist with all of the expenses they can think of and call that their budget. However, they invariably forget something—you usually forget things no matter what, but just having a list doesn't help you track what those things are. For example, I forgot to budget veterinary expenses when I acquired my two cats—which, of course, I paid for regardless of where it currently fit into my spending plan, but I didn't actually think about it until AFTER the fact when I was in Mint.

3. Month-Only Plans. If you only have a list of monthly expenses, you'll often miss the important things, like vacations, home renovations, car upgrades and the other larger ticket items. They all need to be factored into your spending plan; otherwise, they'll go on credit cards. All spending, even if it isn't monthly,

needs to be part of a cohesive ongoing plan.

4. Preemptive Plans. Sometimes people will either become panicked or motivated by a period of overspending and think, "Wow, I need to cut back, I better make a budget." The problem with this approach is that no one can create an informed budget without analyzing several months of spending first. Some people say weeks, but I say months!



How To Make Your Spending Plan Meaningful

Budgeting didn't become truly fun or meaningful for me until I had a consistent system for tracking; once I achieved that, then I could quit worrying about whether or not I was capturing all of the data, and I could start to understand the MEANING behind the data. Why was I spending so much on going out one month, but virtually none the month before? And why did sometimes I go over budget with no regrets, while other times I



felt guilty? What I realized is that my money was much more about how I felt about myself and my life than just income in, expenses out. And that made the entire process more exciting, because every budgetary blip was more information that I could use to understand myself better! That was the path to conscious spending. Once I understood that, my mind-set about budgeting completely flipped around, and I realized that:

1

Your spending plan should be a live, organic entity that helps you assess where your money is going without judgment or restriction.

Honestly, my spending changes over time, and by treating my spending plan as flexible and adaptable, I don't get stuck feeling like I am "supposed" to be spending a certain way when my lifestyle doesn't support it anymore.

2

How you feel about your spending is every bit as important as tracking it.

If I am having a blast with my best friend who is visiting from out of town, I am not going to get hung up if I go over my plan, because the experience is so joyful. But if it's NOT joyful—if I am spending out of obligation—then that is important information too. MUCH more important than the fact I went over my plan.

3

The kind of spending you engage in relative to each expense is as important as the amount of spending.

Like my previous example, I can have identical transactions but feel completely differently about the experience. I'll get into different kinds of spending as you read on, but understanding the "why" behind each transaction is every bit as important as the "what."

“What I realized is that my money was much more about how I felt about myself and my life than just income in, expenses out.”

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How To Make Your Spending Plan Meaningful

You use the data you collect to decide what is meaningful and then you can decide what to do next.

With conscious spending, there are no guidelines that dictate what should or should not be spent on a specific expense category; the only right answer is that you are spending money on things that are meaningful to you and cutting back or eliminating items that have no significance in your life. This kind of freedom can be both liberating and scary, but it's the only way to understand and strengthen your financial foundation and peace of mind, where ever you're currently at in your financial life.



The Conscious Spending Plan Process

Now that I have explained the goals behind conscious spending, we can get started!

To make you as successful as possible, I recommend you set aside 30 minutes a week—don't worry, you won't have to do this forever—to get your spending plan set up, review spending and update your tracking system. You'll know when you can scale back the time commitment, because you'll start to be able to predict what you've spent—or, you'll become more aware BEFORE you spend.



Step 1: Gain Clarity

This has always been my least favorite step, because I associated it with nit-picking and judgment. Bottom line, you can't become more conscious of your spending until you start tracking it. Often, the tracking aspect of budgeting isn't made distinct and separate from budgeting itself, but it is. You have to gain awareness of your current spending BEFORE you attempt to modify it.

The only way to engage in the tracking exercise is to track every cent that comes into or goes out of your household. The most difficult part is gathering data and making sure the data reflects EVERYTHING. There are two methods to gathering this data:



1

LOW TECH

Tracking and recording everything on a daily basis

2

HIGH TECH

Using a budgeting program to organize and categorize for you



The Low Tech method is simple but a little laborious; every day you have to track every single purchase through receipts or writing it down. Every week, you then need to review all of your purchases, categorize them and total each category; and then monthly, you summarize each week's totals. For the extra methodical, you would also review the totals quarterly, and identify the average expense per category to create targets for each category.

This method is the one my mom used for years (I think she has eased up now that she is retired), but it's also the method that made me want to kill myself. Repeatedly. So, it's not for everyone, which may be the reason so many people avoid this exercise. Thankfully, there are High Tech alternatives.

High-Tech Option #1: Quicken

I am not going to spend too much time here talking



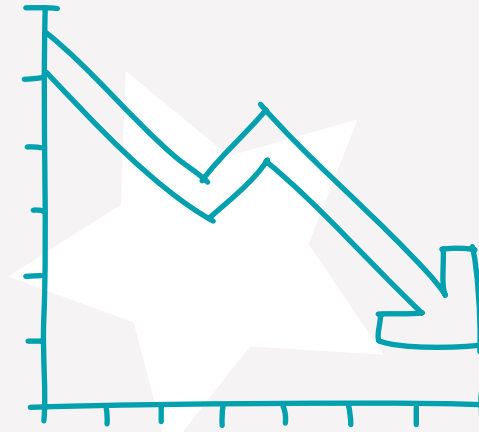
about Quicken, because honestly, I have never used it successfully. Quicken is the pioneer in comprehensive personal financial management software, and it's been around for a very long time.

Granted, it's been many years now since I tried using it, but I notice my complaints are still similar to other people I come across who are currently trying to use it:

Conscious Spending

The Conscious Spending Plan Process, Step 1

- 1. Quicken takes too long**, so people end up abandoning it, usually after putting in hours to get it set up.
- 2. Quicken is labor intensive.** With Quicken, you download your banking into Quicken and go through each expense, verifying its category. The process takes an hour or so, mainly because you have to go online to look up check payees and verify something was what you think it was.
- 3. Quicken is easy to mess up.** If you fall behind, it's really difficult to get back on track and caught up, because then you start dreading doing it, knowing how long it's going to take. How will you remember in October why we withdrew \$100 from an ATM in September?



There are many, MANY budgeting software options out there, but because I don't use any of them, I'll just summarize some of the options here:

Budgeting Software Options — Desktop Versions

AceMoney

AceMoney is a desktop app that offers all the features you'd expect: downloadable transactions, budgeting, investment tracking, and more. AceMoney costs \$40, but a free "lite" version is available. With my initial inspection, there just wasn't enough going on to engage me visually. iPhone app available.

Quicken

Quicken is perhaps the most popular personal-finance software available today. It's fairly comprehensive and well-supported, but not without problems. Old versions are "sunset-ed" at regular intervals, forcing users to upgrade if they want to continue using certain features. Desktop software costs \$60.

Moneydance

The Washington Post said Moneydance manages to replicate much of Quicken's functionality — but in some cases a bit more elegantly. It's available for Mac, Windows, and Linux. If you'd just like to try out Moneydance, you can download it for free—the only limitation is a maximum of 100 manually entered transactions. Full-use license costs \$50. iPhone and iPad apps available.

YNAB

YNAB stands for You Need A Budget (YNAB) and it's fairly impressive with its free, live classes, but it does NOT import your transactions, because they believe it kills awareness. Even though that would be a deal breaker for me, I agree with their budget methodology. Desktop for Mac or PC is \$60. iPhone app available.



Budgeting Software Options — Online Versions

Budgetpulse

Budgetpulse is a free online program that offers standard budgeting and tracking features. One of this program's stated goals is simplicity; it doesn't try to do a whole lot other than track your core accounts.

Buxfer

Buxfer started as an online tool for tracking debts and has grown into a more comprehensive financial management tool. It goes from a free, basic membership to a \$5 premium membership. iPhone app available.

Checkbook

Checkbook has a free online program as well as a paid, premium program. Many old users of Microsoft Money moved to this program for its simple yet robust reporting tools. iPhone app available.

Moneystrands

Based in part on a financial management tool from Spain, Moneystrands offers all of the features you'd expect. One issue that made me nervous was the mention that they are reconfiguring account aggregation so you may have to manually upload data for some accounts —that would be the death of my tracking! iPhone app available.

Mvelopes

Mvelopes is a web-based version of the envelope budgeting system that's been around for over ten years. Though I can't refute ten years of success, I DID go a little crazy trying to figure out potential usage costs by looking at the site (they imply there are transactions costs). iPhone app available.

Pocketsmith

Pocketsmith is a web-based program that you pay for on a monthly basis (\$10), although a free version is available as well. The program takes a unique approach to the budgeting interface by utilizing a calendar to forecast your future cash position.

Yodlee

Yodlee is the granddaddy of free online money-management software. It's the platform on which many account aggregation tools are based. But Yodlee also offers its own personal-finance product called MoneyCenter. As you'd expect, it provides the same account-tracking functionality that most of these applications have, but it doesn't feature budgeting as prominently. iPhone and iPad apps available.

InEx Finance

A web-based program that supports multi-currency transactions, InEx Finance is a comprehensive money management tool that allows you to import your data for categorization, as well as create other financial goals and track your budget.



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The Conscious Spending Plan Process, Step 1

There may be others out there that I missed; I admit, I am a little “tunnel-visioned” since I already have found a solution that works for me and everyone else I work with!

Bottom line, the programs offer very similar features, so you need to decide what speaks to you personally and your method of staying financially organized. The best way to get started is to choose one and jump in—if you decide you hate it, jump in and choose another. Some people might start with ALL of them, and then only maintain the easiest; each person needs to decide what will work for him. The key is to get started and make this the year that you finally get precise and clear about your spending!



But for the software options I have tried, let's go on to the one you already know I prefer—**Mint**.



My Favorite Budgeting Software Option: Mint

Mint (www.mint.com) is free online budget tracking software that's been around for about 5 years or so. It's free because there are several financial entities paying to offer you a lower-interest mortgage, credit cards or higher-interest savings accounts. Honestly, it's pretty easy to ignore all of these, so much so that I don't even notice them anymore.

“Quite simply, if I have a process for something, it works in my life.”

Conscious Spending

The Conscious Spending Plan Process, Step 1

A lot of people were initially nervous about Mint's online security. But Founder and CEO Aaron Patzer wrote:

“You’re safer on Mint than with online banking. Mint has a read-only connection to your bank; there’s no money transfer in Mint.”

This means that even if someone were to hack Mint, all they would get is your user name and your transactions—**there is no way to actually tell who you really are on the Mint website.**

After you get past the security issue, a lot of Mint's features might help you avoid what made Quicken fail as a tracking tool, such as:



Mint is online. You can log onto Mint whenever and modify transactions, if needed. Because

you can do it on the fly, it's easier to keep up with it (plus I think Mint does a better job of automatically assigning categories than Quicken ever did).



Mint is simple. When you open Mint, the accounts are listed down the left-hand side and the budget is on the right. The budget is a bar graph showing how much you've spent in each category for the month and how much was allotted for that category. I actually don't recommend using the budget for much; most of the time I have people use the handy Trends tab, where you can review spending in a pie chart broken out by categories. You can change the time frames and see what you've spent in a month, 3 months, a year, etc.



Mint learns. If there is a transaction that is consistently categorized incorrectly, or remains uncategorized, you can simply create a rule once to connect the vendor to a specific category, and then never worry about it again. The only time this doesn't work is with handwritten checks or cash withdrawals—you have to keep track yourself, because there is no way Mint can figure out what the category is just from a check number.



Mint has alerts. You can set up alerts for the low balances, bill reminders, credit available, unusual spending, over budget, interest rate changes, trade commission charges, bank fees, large deposits, and large purchases.



Mint has apps. I actually do most of my categorizing on my iPhone when I am sitting around, waiting for appointments. That way, when I am sitting at my computer, I can spend more time analyzing.

When I think about the reasons I have stayed with Mint for so long now, I came up with four reasons:



Simple to use. From the moment I started working in Mint, I could intuitively click and get to where I needed to go. I never was stuck trying to understand what report I needed to run, or wasting time looking for the data I needed.



Minimal set up time. Setting up my bank accounts in Mint the first time took all of 30 minutes. I have a different way of doing things than a lot of

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The Conscious Spending Plan Process, Step 1

people when it comes to budgeting, so it might take some as much as an hour (I let it all flow in the first time for several days before I started looking at data and categorization). Still would be a record for me at an hour!



Minimal maintenance. I can stay up-to-date with Mint using their iPhone app, but mostly I just check in every 10 days or so to monitor trends and check categorization. I never have to download software upgrades or purchase a new version.



Free to use. Mint has affiliate partners making offers—which is what keeps it free—but it's easy to ignore them and focus on your finances. I have never been irritated or distracted by an offer.

Quite simply, if I have a process for something, it works in my life. If I have to remember to do something—like download transactions into my budgeting software—it isn't going to happen. So while some people might argue that I am sacrificing reporting robustness, it doesn't bother me, because I don't actually believe most people run a lot of reports on their budget anyway, when you get right down to it! So whatever is the most easily executed is the best option, for all of us.



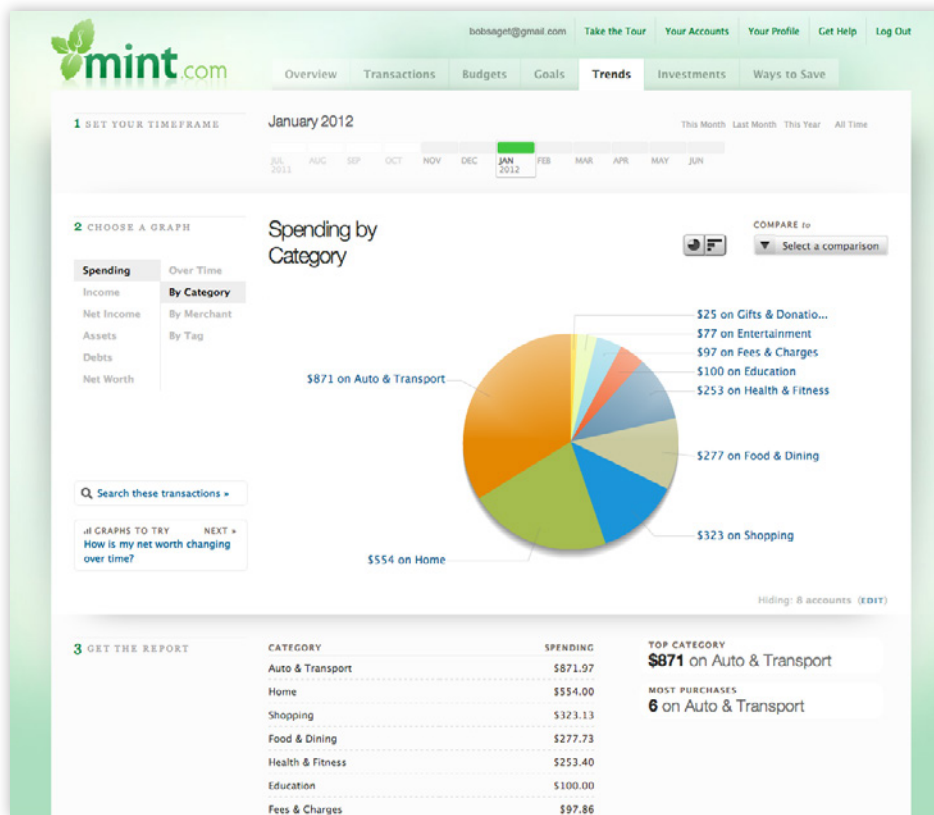
How To Use Mint As Simply As Possible

Session 1

Set up in Mint any account that expenses flow through, such as your checking accounts and credit cards. I've seen many people set up everything—investment accounts, mortgage loans, etc., which can be great, but if you run into trouble with a specific account, it can take all of your energy trying to fix it, and you forget that you're really in Mint to understand spending. So initially, don't go overboard getting set up. You can do that in a couple of months if you still want to.



The screenshot shows the Mint.com homepage. At the top, there's a navigation bar with links for 'WHAT IS MINT?', 'HOW IT WORKS', 'FIND SAVINGS', 'COMMUNITY', and 'COMPANY'. A 'Log in' button and a 'Sign up' button are in the top right. The main headline reads 'It's your money. Get to know it.' Below this is a large image of a person's hands holding a tablet displaying a 'Spending over time' bar chart. Text on the image says 'Mint is the free & easy way to understand what's going on with your money.' and 'Free! Get started >'. Below the image are three sections: 'Take an easy look at' with a donut chart showing spending categories like 'FOOD & DRINK', 'COFFEE SHOPS', 'FAST FOOD', 'RESTAURANTS', 'GROCERIES', and 'ALCOHOL & BARS'; 'Appreciate your' with a bar chart showing overall spending of \$1,196 / \$1,450 and a table of categories: Coffee (\$26 / \$61), Restaurants (\$64 / \$129), and Groceries (\$193 / \$292); and 'Feel good about' with icons for 'New Car' and 'Student Loan' (marked 'PAID').

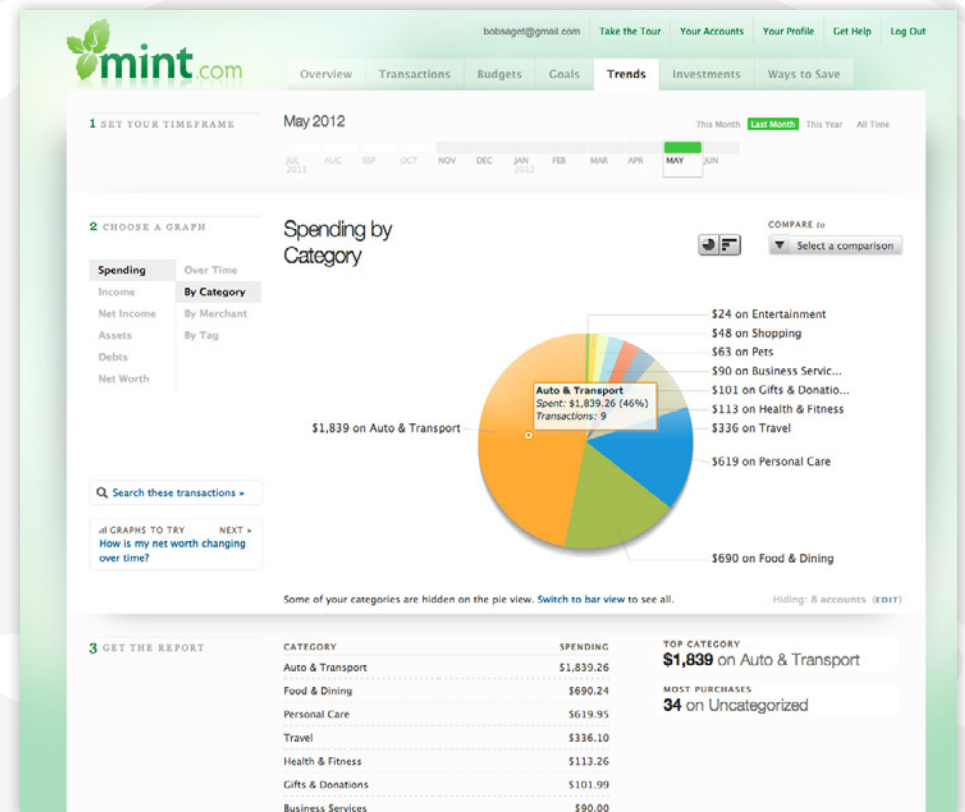


Session 2

After a couple of days, or even a week, go into Mint and head over to the Trends tab. You'll see a lovely pie chart breaking out all of your spending into different categories. Click on each category to see even more details. You'll find some things might be miscategorized or uncategorized. If you click on the item you feel was categorized incorrectly (or uncategorized), it will take you to the transaction register. There, you can choose the correct category as well as set up a rule in the dropdown box so that the vendor is always associated with the correct category. When you're done, go back to Trends and keep looking. This process might take you 45 minutes the first time, but if you keep at it, you'll eventually be spending 20 minutes biweekly (my current schedule).

Session 3

After one month, go back in and look at the Trends tab again. Are there any surprises? Are you spending a lot more in a category than you thought you were? Start making notes: was there a special occasion, or a notable exception, or was this just your standard month? What I have found is when people analyze their own spending, they identify their OWN opportunities to refine their spending habits, because they automatically factor in their values and priorities.

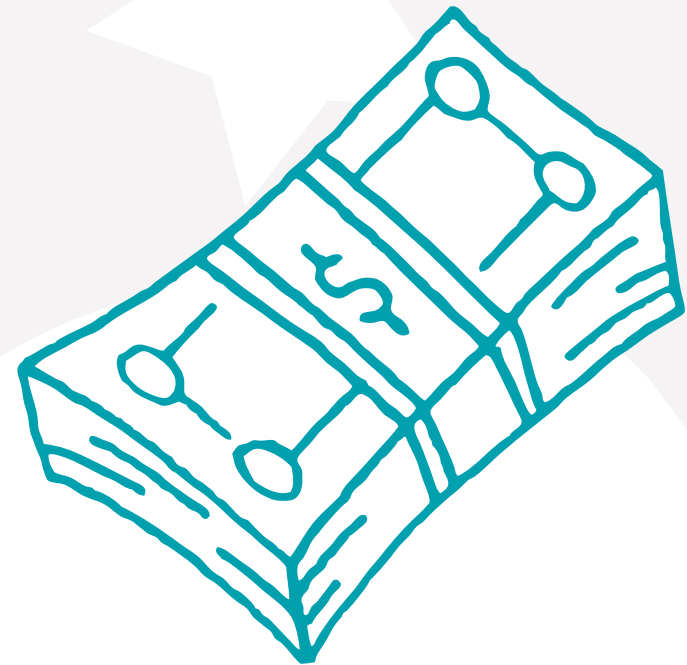


Conscious Spending

The Conscious Spending Plan Process, Step 1

This is what I call conscious spending. This is the belief that once you examine your consumer habits and understand where you derive the most enjoyment, you can actually better utilize every dollar.

When I got serious about tracking expenses (circa-1998, before Mint was making my life easier), I was shocked to discover that I spent over \$150 monthly at Starbucks! But I knew I couldn't just slash or eliminate that expense—my coffee was important to me! This meant I had to figure out a way to have my coffee and be satisfied, but do it with much less money. The next step explains how I did that without feeling deprived.



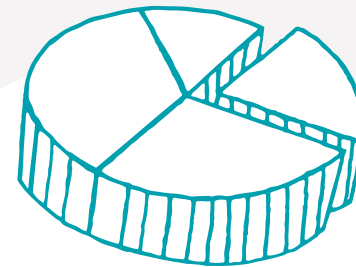
“When you start to break down your experiences to achieve the most satisfaction from your spending, you add MORE to life, not detract from it.”

Step 2: Align Your Values With Spending

Just because you KNOW you need to cut back in a certain category of spending doesn't mean that you're going to be 100% on board right away. It's a process. But if you can approach it with some self awareness, the shift happens that much more quickly.

- 1. Decide perceived value.** Perceived value is your “gut” number. Most people have a built-in barometer that tells them if they are over spending in an expense category. It's subjective for each individual. When I saw the facts of my coffee habit, I immediately realized that although I was spending \$150, I was NOT receiving \$150 of perceived value. There were many things I would enjoy more than \$150 worth of coffee and pastry!

Some might say, I got to the same end result of budgeting; I knew that I had to cut back on a “fun” expense. But if you had told me to just to cut back without really putting some thought into it, the cutback would have been an arbitrary number, rather than an informed decision.



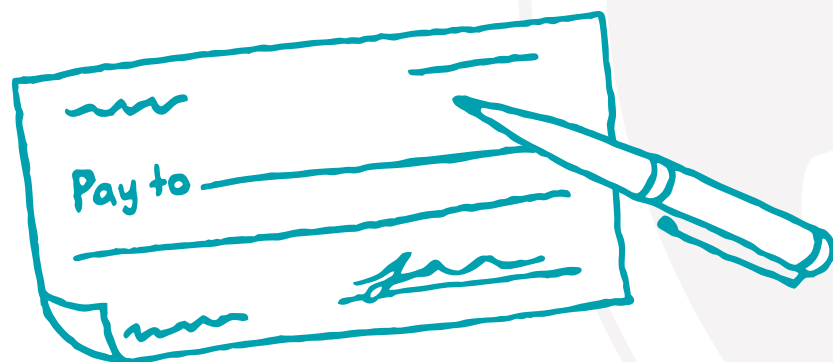
- 2. Distill the experience.** I'll never eliminate Starbucks; that was certain. So I needed to break down all aspects of the “experience” to figure out what was essential to my enjoyment. I realized that I didn't care about the pastry, so that could go with no regrets.

Conscious Spending

The Conscious Spending Plan Process, Step 2

What ultimately became my new “normal” was a drip coffee on weekdays . . . and I was perfectly satisfied as long as I could still go hang out and work. Sitting in Starbucks was the most meaningful aspect of that spending experience.

3. Track the new normal. After a couple of months of experimenting and deciding what worked for me, I realized that I could allocate \$40 toward coffee and be completely satisfied. Only at this point did I actually set up a single budget item in Mint, so that



if I went over \$40, I would be alerted, and could figure out what went wrong. Going over budget usually was a reminder to return to consciousness—much like how a meditation practice doesn’t help you achieve 100% stillness, but helps you learn to return to the practice, so that over time, you can let go of your thoughts more easily.



Let me emphasize: This process took several MONTHS for me to feel comfortable and confident. There will be missteps and you’ll need to test theories about yourself; you might think you’d enjoy one thing, but in the midst of it you realize it’s not working for you. That’s okay.

Clarity takes time.

Conscious Spending

The Conscious Spending Plan Process, Step 2

The goal of conscious spending isn't to limit anyone, but instead help people increase awareness about how they are behaving in everyday life. When you start to break down your experiences to achieve the most satisfaction from your spending, you **add MORE to life, not detract from it.** We really can have just about anything we want; the key is to be completely conscious about what those things are.



Step 3: Fine-Tune Your Awareness


Mint is a great start that can help you fine-tune your spending if you're using it in conjunction with consistent awareness and assessment. Some people might need more. This is where things get a little “coachy” . . . in other words, you have to start assessing your thoughts before and after you make a purchase, and then question the validity of those thoughts.

Lots of people do this when they are trying to lose weight, so they can understand what is going on emotionally before they start eating. Honestly, I have more luck with this process in the money arena than the eating arena!

Fundamentally, you are keeping a journal. As you move

through your week, you'll be thinking ahead and going over that week in your mind, deciding what bills you need to pay, and what you need to buy for food, pets, personal stuff, etc. **You'll also be reflecting on how things did or did not go the way you expected them to go—why you spent more than you planned to at Rite Aid, Costco, Starbucks or Barnes & Noble. And how you feel about it.**

I have identified four types of spending that cover virtually every single dollar that leaves your bank account:



Avoidance Spending. You're spending money on something to avoid worry, fear, pain or doubt. This might be your belief that you need to spend thousands of dollars on programs with experts to help your business grow; or that you can't start working out until you buy an elliptical machine. A lot of times, the success, achievement or other motivation is

firmly tied to how we want to be in the world, or to “fix” how we currently perceive ourselves.

The truth is, that sort of spending never works. Whenever you start to see one thing or person as the end-all solution to your problems, you need to go deeper and examine what you hope this expense will “fix” in your life. When you acknowledge the thought, it often becomes less urgent, because you realize one simple purchase isn’t going to permanently address your pain.



Automatic Spending. This includes most of your spending month in and month out; stuff like rent or mortgage, gas, groceries, etc. You probably don’t have any real thoughts one way or another when you engage in this kind of spending. Where people get into trouble is over-buying things that they know they CAN afford, such as take-out food, books or coffee (read

my previous blog posts if you aren’t yet familiar with my addictions).

The goal here isn’t to completely eliminate spending, but to simply be as conscious about it as possible, and to get the best use out of every dollar you spend.

This means you have to be aware of exactly how much you spend. Once you’re aware, you can set up a Mint alert to let you know when you’re spending more than you’d like in a particular area.



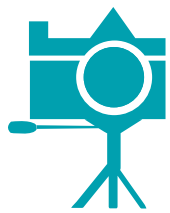
Impulse Spending. You spend money on something that wasn’t a priority until you were in the store (or online), standing in front of it. There was a time that I couldn’t go into a

Conscious Spending

The Conscious Spending Plan Process, Step 3

store like Target or Costco without suddenly realizing that I needed ALL OF THIS STUFF around me.

What I noticed was the less I went into stores, the less I spent. Then, when I was going through a particularly lean time, I learned that if I just stuck to the list, I was fine. Some people just bring the cash they plan on spending. The point is, you never need to impulse buy. If you really decide you want it, you can go back for it after thinking it through.



Occasional Spending. I am not even sure if this is the best term for this sort of spending; this is spending that falls outside the normal budget, usually for something special that you don't buy all of the time, like (for me) clothes or furniture. Some people have a problem because they hesitate, or never get around to buying the thing, while others have issues because they spend too much.

The reason for why some people put off buying or that some people overspend is that they have placed too much emotional importance in the object. Or, it may be that they haven't clarified for themselves exactly what will make



them happy. I have been at both ends of the scale; when I was less aware of my cash flow, I used to spend hundreds (if not thousands) on home décor because I was trying to achieve a certain feeling in my home, and always thinking the NEXT thing would make it perfect.

Conscious Spending

The Conscious Spending Plan Process, Step 3

Now, after having my own lean times and currently VERY aware of my spending, I actually hesitate from buying a lot of things, because I know the item itself won't give me any lasting feeling. I tend to take a VERY long time to invest in new furniture, because I want to make sure it's not just a passing fancy. I also haven't bought new glasses in a very long time because I place so much (too much) importance in how they will make me feel; I can't believe any one pair is going to look so great on me that it'll be worth having them, yet I cringe in embarrassment at the thought of having to wear my old glasses out in the real world if I should have some sort of contact lens emergency. So I have my own work to do with regard to that!

All of these spending categories and their distinctions could fall under the traditional term of "impulse spending," yet you need to find the impetus behind the impulse; otherwise, you'll never understand the core story you're

holding onto with say, eating out in restaurants versus paying for a personal trainer.

I believe that all expenses can be valid, and everyone deserves to spend money on things that make them happy. The key is, once you start paying attention to the type of spending you're engaging in, you will not only start spending more strategically, you become happier in the process.



Create Your Conscious Spending Journal

One tool that has been instrumental in raising my awareness about my feelings, values and spending habits is keeping a journal.

I have several journals—one next to my bed, one next to my reading chair and one next to my television-watching chair. If anyone were to read my journals, they would become completely confused about chronology! But the dates aren't important; it's the work I am doing on the specific

spending event. And I found that if I have a thought, it's often disruptive to get up and go find a journal; it's easier to just have something handy to write on where ever I happen to be.

So I'll sit there, usually in the early evening and review my spending for the past couple of days, just making a list with amounts next to them. Then I'll ask myself some questions:



- On a scale of 1-10, how excited was I before this purchase?
- What was I excited or not excited about?
- What do I think this purchase will get me that I don't already have?
- On a scale of 1-10, how satisfied was I after this purchase and why?
- What type of spending was this: Automatic, Avoidance, Impulse or Occasional?
- What would I change for the next time it came to purchase another item like this?

Don't feel like you have to limit what you write; I believe that writing is one way we work through our emotions about money—even when we are not aware we're having them!

What If I Am Feeling Nothing?

Some people have trained themselves not to feel anything. Maybe they don't even know that's what they did. I used to be like that; I thought that the more control over my emotions, the easier my life would be. One day, I realized that I didn't even KNOW what I was feeling anymore. But it's essential that we feel our feelings, because they are giving us vital information, all of the time.

If you're having trouble identifying an emotion, I recommend you start practicing. The easiest way for me to do this was using the aforementioned scale from 1-10. If someone were to ask me, "How do you feel?" I would say, "Fine." If someone were to ask me how excited, happy or _____ I felt, I wouldn't know what to tell them. Then

I stumbled onto the 1-10 scale. I didn't know what I was feeling, but if I just asked myself where I was on the scale, I could tell you if I was a 4, 6 or 8. If it was less than 5, then that gave me the clue, "Hmmm, I'm not feeling a very high number, I wonder what's wrong with me?" And little by little, I was able to chip away at my emotional ambiguity.

Often, I would realize that the thing that was preventing me from being higher than a 5 wasn't real. It was just that low-level worry that a lot of us hang onto—like keeping the television on because we like the background noise.

So the more I assessed myself, the more I was able to let go of the emotional stuff that was just cluttering up my day. Or, sometimes I needed to really get clear about the

thoughts and feelings that were dragging me down, own them and reframe them for myself. Sometimes, you can't do this stuff alone!

Becoming more peaceful about your money means that you're going to have to get emotionally dirty for awhile, which may be the most difficult part of all of this for you, if you're not comfortable with your emotions. But like anything, the more familiar you are with what you feel and how you think, the less afraid you'll be of that ambiguity. And, the more easily you'll be able to handle your negative emotions in the future.

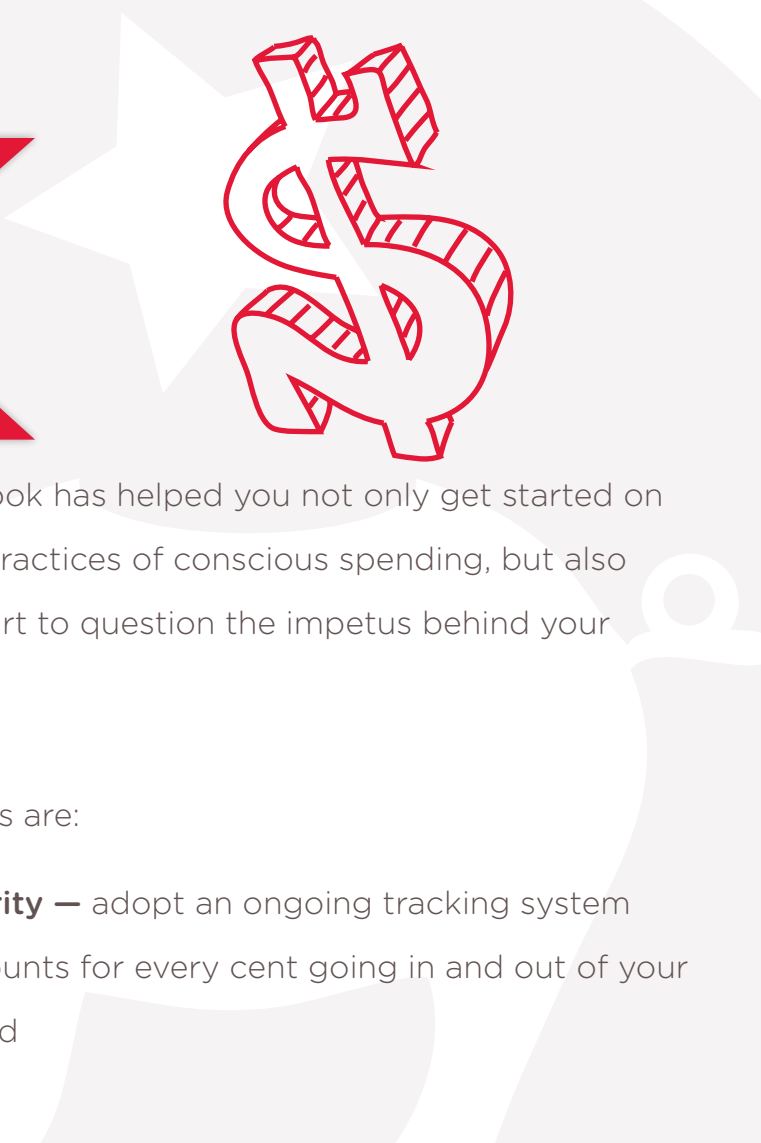


Conclusion

Wealth creation is a daily, weekly, monthly process and you can't begin to be effective at it without feeling peace around how you interact with money.

But the process doesn't have to be hard or laborious!

Adopting a conscious spending paradigm is the first step, so that you not only implement concrete practices that bring more awareness, but also help you start to question the impetus behind your purchases.



I hope this ebook has helped you not only get started on the concrete practices of conscious spending, but also helped you start to question the impetus behind your purchases.

The three steps are:

- 1. Gain Clarity** — adopt an ongoing tracking system that accounts for every cent going in and out of your household

2. Align Values — review spending and modify your behavior so that your money is in alignment with your values instead of working against them

3. Fine Tune Awareness — implement tactics that help you become more in touch with how you feel around your spending and money, and use this awareness to improve the interplay of your money and your real priorities

Most people hope that I can give them some quick budgeting tips and send them on their way, but unfortunately (for them), I believe that your spending is one of the greatest opportunities that life provides for you to get to know yourself better. Once you do, **your spending will be in alignment with who you know yourself to be**, which eliminates the need for superficial budgeting measures and drastic cutbacks. When you take the time to engage in conscious spending, you will have found a

way of life that always takes into account who you are and who you want to be, and will always get you closer to your goals, regardless of the money involved.



Next Steps

You didn't think I was just going to leave you to flounder out there by yourself trying to put all of this into action, did you? Of course not!

Here is more help for you to implement the biggest step of what this ebook covered, tracking your spending:

The Mini Mint Video Series



Reading the ebook is a great first step, no doubt about it . . . but now **you must put it into action**. And you're never going to get to the conscious spending practices unless you accurately see what you're spending. You know that I don't believe in wasting too much time on any of this—but

the key is to get started. And Mint is the easiest way to do it. I should know . . . I floundered for years trying to get a handle on this before landing on Mint.

I want you to take action and use Mint to become more conscious and strategic about how you spend the money in your life—because I KNOW that your ability to save money is the single greatest indicator of your future wealth. But some of us might need a little more hands-on support to get it done.

[Learn More Now >>](#)

“As if Mint isn't easy enough, Mindy makes it even simpler by breaking down set up and management of this dynamic financial software. This is perfect for anyone just getting started with Mint and a conscious spending practice.”

~ Rachel Reed

About Mindy

From the time I left college, I was on a mission to bring meaning to my life. Nothing I worked at felt quite right, but a common vein through all of my jobs was the need to improve upon the existing status quo and look for the possibility in every situation. After a few years I went back to school and earned my Master's in Business Administration and started to get really excited about small business and the art of the start up.

Just as I graduated from my masters program, I happened upon financial planning. The idea that I could bring clarity and understanding to a person's financial situation felt like an epiphany to me, so I jumped in—but I found after building a successful practice and managing a regional office, the practical application of financial services wasn't personally satisfying for me. So I left.

During this transition, I leveraged my knowledge of business, marketing and systems to help my former colleagues and other small business owners--all the time

testing out theories on how I could personally help people with their money, yet still bring more meaning and balance to the process.

Nowadays, I am convinced that traditional financial services doesn't help the majority of the people who need it—and many questions people have about their basic financial situation are left unanswered. So my mission and calling is to help as many people as I can build financial lives that support their passions and work in this world, and to see the possibility in every financial situation both great and small.



15 Things You May Not Know About Me

1. I am 9th generation Californian. I come from the Arguello family, who established L.A. before it was part of the U.S.
2. My first kiss was from David Pittman in kindergarten. He chased me down, and then laid one on me when I was trapped against the chain-link fence.
3. I broke my leg on the first day of first grade. I dressed myself and put my Mary Janes on the wrong feet, because they were easier to buckle that way.
4. The first time I went into the ocean, my mom's best friend was carrying me . . . and then she dropped me when she got knocked over by a wave. I survived.
5. In the second grade, I zoomed my bike down a steep hill and crashed into a moving car—totally my fault, but I think I gave the poor driver a heart attack. Still sorry!
6. The first concert I attended was Captain and Tenille. My parents took me.
7. In the 5th grade, I broke my foot jumping into a friend's pool (when my foot slammed on the bottom). I didn't want to go home, so I hobbled on it all night. When my mom picked me up the next day, she knew I was limping but was in a hurry to get us to HER friend's house—so I spent the next day swimming. When I got out of the pool and my mom saw how swollen my foot was, she freaked out and got me medical attention.
8. When we were young, my sister tormented me by telling me that mom was going to let her have a snake for a pet. Thank goodness it never happened.
9. One summer, my mom drove us around the entire country, so we could see the U.S. My mom loved a good road trip.
10. From 1983 to 1995 I did a minimum of one play per year but usually more. Usually there was a musical in there somewhere too.
11. I went to volleyball camp and played for six years in school (I was the setter), but ultimately left when it started conflicting with theater.
12. When I went to Hawaii, I almost drowned because the person I was there with made me come in during a wave cycle (a big no-no).
13. I love to sing in the car. Apparently, it's annoying to other people in the car.
14. When I went to Colorado, my friend and her brother took 4 absolute novices (including me) on a Class 5 river. I didn't fall out, but I have concluded that water is my kryptonite.
15. About a year and a half ago, I adopted two cats from the Seattle shelter, Noki and Yummy. They get along pretty well, and they both love sleeping with me. In the middle of the bed. Between my legs.

“The key is, once you start paying attention to the type of spending you’re engaging in, you will not only start spending more strategically, you become happier in the process.”

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