

The Wall Street Journal

How to Save-and Spend-Your Money Smarter

A personal budgeting doesn't have to limit you—it just helps you focus your spending habits

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Nov. 17, 2018

Ahead of Black Friday holiday shopping, focusing on personal budgeting can make you feel more like the Grinch than St. Nick. But a smart spending plan is a gift to yourself that helps satisfy everyone on your list.

As Black Friday ad campaigns kick off, adding a limiting factor to your spending can be daunting. Like many activities, the toughest part of creating a budget can be getting started. But at their core, spending plans aren't designed to be limiting, just strategic.

The friction in budgeting comes from striking the balance between doing what you want to do and doing everything. But that control comes from splitting [your income into “necessary spending” and “discretionary spending.”](#) The latter is where a financial strategy will open doors rather than close them. And like any skill, you can improve with some practice.

Improvement, however, often requires [an honest conversation with yourself about your current spending habits](#)—a conversation that's rarely easy.

“For most people, sitting down and tracking their expenses is a similar emotional experience to counting calories,” [said Brad Klontz](#), a psychologist, financial planner and associate professor at Creighton University in Omaha, Neb. “It often generates negative feelings—guilt, remorse, shame or frustration.”

Refusing to acknowledge spending habits can also have negative effects. According to [a study by the National Endowment of Financial Education](#), one in three people say their financial health is worse than they expected.

The feelings associated with financial insecurity are what's made [“joy-based spending”](#) one strategy that Manisha Thakor, the wealth director for women at

Buckingham and the BAM Alliance, frequently recommends to clients. She suggests ranking discretionary spending by the amount of happiness each purchase produces.

A focus on joy-based spending can lead to smarter spending over time, especially when related to costs that vary month-to-month. And acknowledging that your first budget may not be your final budget [improves budget maintenance](#) and makes it easier to stick to your plan.

Another common strategy for keeping a budget is [“temptation bundling,”](#) pairing the unpleasant elements of budgeting with the spending that brings joy. Derek Tharp, a financial planner at Conscious Capital Inc. in Cedar Rapids, Iowa suggests implementing rules, like only visiting your favorite restaurant after paying down \$1,000 in debt. That helps create a loose reward system around fiscal responsibility.

A combination of these strategies can help manage short-term and long-term budgeting. While there are competing philosophies on [how closely to track day-to-day spending versus progress](#) over time, a common thread running through both is the focus on progress and modification.

“What’s important from tracking is the insight that you glean,” [says Jodi Gold](#), chief engagement officer at NestWise, a financial-planning firm owned by [LPL Financial Holdings](#) Inc. “We might suggest that people periodically go back to see if their expenses in their life have changed.”

Tracing those changes has become easier with the increasing number of technology tools available for personal finance.

In more than a dozen experiments, Duke University behavioral economist Dan Ariely used mobile apps and simple tenets of psychology to help people save more money, pay down more debt and devise and stick to budgets. In fact, [just introducing mobile apps to the budgeting process](#)—a behavioral intervention—caused people to spend less and save more.

But picking the right apps is as important as using them. A number of digital financial health apps offer people the [opportunity to set aside money after every](#)

[purchase](#) or track their spending without a pen and paper, eliminating some of the burden of that initial financial review.

As personal financial data becomes more accessible, so too does the opportunity for smart financial planning. And with that comes the freedom and peace of mind to spend a little extra on holiday gifts this Black Friday. Happy Shopping.