

# 6 Spending Styles That Will Help You Save

Forbes Woman

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## What's Your Style?

Philadelphia attorney Amy Gordon has a deceptively simple strategy for ensuring she won't overspend. "If I don't have dollars in my hand, I don't buy it," she says. Her cash-only approach is a very deliberate spending method she adopted five years ago as she was paying off her student loans. And she's stuck with it. "I'm proud that every purchase I've made has been one that I was actually able to afford," she says.

Going cash-only can be a smart strategy, but it won't work for everyone. Fortunately, it's not the only approach that can help you stick to your savings goals and avoid overspending. Keep reading to find the one that's right for your needs and personality.

### 1. Cash-Only Spender

As Gordon explained, a cash-only spending style primarily entails using dollars and cents, not credit, to make everyday purchases from a cup of coffee to a new skirt. This strategy keeps your spending exactly on point, as there's not a whole lot of room for impulsiveness. "I shop with a more discerning eye and feel ecstatic when I find something that's worth handing the cash over for," says Gordon.

There's actually a bit of behavioral science that explains why a cash only system pays off. [Researchers at New York University](#) found it's, in fact, more "painful" to pay with cash than credit. In other words, it hurts to part with cash and see those dollars disappear. Your mind is forced to rationalize the purchase and think of the tradeoffs in that moment. In turn, this leads to more thoughtful spending and, consequently, fewer purchases.

"I do feel financial fatigue from time to time in that I ponder over every single purchase," admits Gordon. "It's hard to learn to say no and walk away, but I've had no other choice. In the end, I'm more grateful for the things I've actually been able to afford."

**Best for:** Individuals who need to cut back on discretionary spending to better support their financial needs and obligations (e.g. paying off student loans or high credit card debt) and are easily prone to impulse purchases. They thrive on discipline. Of course, some expenses — like your car payment or mortgage — may clash with a cash-only structure. For those important recurring monthly bills that require a check or credit card payment, consider altering your style a tad and scheduling those payments automatically via direct transfers from a checking account to avoid missed or late payments.

### 2. The Envelope Queen Spender

This style, commonly practiced during the olden days before modern banking existed, takes the cash-only approach to a more diligent level. How it works: You visit the bank or ATM once a month or week to withdraw and siphon your cash into categorically labeled envelopes to pay for everything from groceries to gas, clothing, gifts, dining out and incidentals. While this may seem like an antiquated way to manage spending in today's age of online bill pay and electronic banking, one [survey](#) found 40 percent of Americans still practice some version of this spending technique.

To get started, financial advisor [Stacy Francis](#) suggests mapping out a spending plan for your various upcoming expenses. These are your limits. “For example, if you want to spend \$200 a month on groceries, put \$200 in cash in an envelope and only use that money when you go the store,” she says. Once that \$200 is gone, it’s gone. If you have any leftover, pad your savings account with it.

**Best for:** Budgeting newbies and extreme visualizers who want to manage their money more tangibly than by tracking spending online. Similar to the cash-only style, this strategy may also be ideal for those living paycheck to paycheck and who need a highly disciplined approach to stay out of debt. It’s also ideal for “the paper-based organizer who loves seeing her money in order to conceptualize where it’s going,” says Kim Palmer, financial writer and author of *The Economy of You*. If you appreciate the old-fashioned method, but prefer a more modern approach, check out the free mobile app [Mvelopes](#), which offers users the ability to manage “virtual” envelope balances.

### 3. E-Spender

Do you find yourself spending strictly online? Then you may be best characterized as an e-spender. Palmer, a busy parent and self-described type-A organizer, says she prefers to do the majority of her shopping online (90 percent on Amazon, specifically) given her hectic schedule. “With the free shipping and other discounts, it works out well, and it makes it really easy for me to track the money I spend. I even buy many of our groceries in bulk this way,” she says, which can save money in the long run.

**Best for:** “The type of person who is busy and focused on other aspects of her life [and] doesn’t want to devote much free time to money management each month,” says Palmer. This spending solution also caters to overwhelmed parents, like herself, who don’t have time or the patience to shop in brick-and-mortar stores. These spenders are often using most of their dollars for practical items like groceries, gas, kid-related items and incidentals.

### 4. Rewards-Happy Spender

This style characterizes those who do most of their spending with rewards credit cards to reap the benefits -- cash back, points, travel miles, you name it. Personally, this is my spending M.O. After two years of placing most of my expenses (including wedding-related costs) on the same credit card, I was able to rack up enough points to get an Apple MacBook for free.

Kate Northrup, author of *Money: A Love Story*, is also a fan of using plastic to reap rewards because it suits her jet-setting lifestyle. “I use credit cards religiously to rack up mileage because I love to travel and am planning a honeymoon in the next year,” says Northrup. Even so, the financial author is very conscientious each time she spends with plastic. “My overall spending philosophy is to spend only on what I truly value. I really check in -- to make sure that when I get out my credit card I’m spending in alignment with what’s important to me. This practice has been the single most effective way of preventing myself from over-spending or emotional spending,” she says.

**Best for:** Those who are debt-free and who’ve already established a strong history of paying off their credit card bills in full each month -- and are ready for some payback! It’s still important to track your expenses, as Northrup does, since credit card spending can often be a little too convenient and easily lead to unconscious overspending. Setting a dollar threshold or allowance for each spending category -- say \$50 a month on toiletries and \$200 on dining out -- can keep your spending in check. Free Mobile apps like [Mint](#) and newcomer [Level Money](#) can help you monitor spending in various categories on the go.

## 5. No-Sweat Spender

Much like the rewards-happy spender, you prefer shopping with plastic, but not necessarily for the rewards. You spend freely with a credit card because you know that all your financial bases are already covered. If you want to buy a new laptop or go on a cruise, all you have to do is look in your savings to see how much is left and base your decision on that.

To confidently take on this spending style, it's important to routinely save for the important stuff first and set aside a cushion to automatically pay your bills off each month in a checking account. Bethany Baumbach, an engineer and mom, feels certain when spending automatically on clothing, groceries, gifts and vacations because there's no doubt in her mind she and her husband have already taken care of their bigger needs. "We automatically contribute to our retirement, flex spending and 529 accounts," she says. "After all those deductions and [paying off] the monthly bills, we don't worry about daily spending."

**Best for:** Those who don't want to spend too much time hemming and hawing over every single purchase. To make this work, of course, you'll need to first commit to automatically saving and paying off recurring bills. No-sweat spenders are also highly responsible bill payers. This system also makes sense for conservative spenders who have a number of savings goals they prefer to focus on first, such as buying a new house or playing catch up with their retirement funds.

## 6. Needs-Only Spender

On a spending fast and depriving yourself of any and all impulse purchases or items that fail to satisfy basic needs like food and shelter? Then you're a needs-only spender -- and hopefully it's just temporary.

Anna Newell Jones, financial blogger at [AndThenSheSaved.com](http://AndThenSheSaved.com), erased \$24,000 worth of debt in just 15 months by eliminating all "wants" from her life during that time frame. "I was able to do that by creating a Wants and Needs list. If an item appeared on my Needs list, things like rent, utilities and food, I allowed myself to spend money on it, and if an item appeared on the Wants side they were automatic 'Nos,'" she says. "I was able to eliminate ... the "grey area" that came along with making spending decisions on the fly."

**Best for:** Those in a financial bind who want to eliminate debt quickly. But going cold turkey on spending on discretionary items and splurging just a little can backfire (much like abolishing all sweets on a crash diet). In case of an emergency, keep at least a \$20 bill tucked away somewhere for your own sanity!