



SPENDING RESET

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THE AUTHOR

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Manisha is the co-author of two critically acclaimed personal finance books: **ON MY OWN TWO FEET**: a modern girl’s guide to personal finance and **GET FINANCIALLY NAKED**: how to talk money with your honey. Manisha is a member of The Wall Street Journal’s Wealth Experts Panel, sits on Faculty at The Omega Institute, and serves on the board of The National Endowment for Financial Education.

Manisha’s financial advice has been featured in a wide range of national media outlets including CNN, PBS, NPR, The Today Show, Rachel Ray, The New York Times, The Boston Globe, The Los Angeles Times, Real Simple, Women’s Day, Glamour, Marie Claire, Cosmopolitan and Women’s Health.



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Manisha earned her MBA from Harvard Business School in 1997 and her BA from Wellesley College in 1992. She is also a CFA charterholder and CFP® practitioner. Manisha lives in Portland, OR where she revels in the Third Wave Coffee scene and the stunning beauty of the Pacific Northwest. Her website is MoneyZen.com.

WELCOME TO YOUR SPENDING RESET

Having a “true north” when it comes to spending is crucial for navigating the surprise life events that can hit at any time. And that’s exactly what this program is about; learning about yourself and your spending habits, and resetting your spending habits to better align them with your values, who you are, and who you aspire to be.

This program will help you:

Identify your current spending type

Find your financial “spirit-animal”

Reflect on your spending personality and values

Create spending goals that align with your core values and bring you joy



SPENDING RESET QUIZ

Spending habits are as unique to you as your fingerprints. To identify your own, begin by taking the quiz below. Keep in mind that the goal is to ask yourself these questions *without judgement*. The point of this quiz is to simply collect information to empower you on your spending journey.

For each statement ask yourself, on a scale of 1 to 10, how strongly you identify with each response. Circle your numbers below. The key is to pick your numbers quickly; go with your first thought and don't analyze it.

Attitudes towards spending and saving

When you get your paycheck or earn money, what do you do with the money?

- A. Think about how much to put away for hypothetical future needs

1	2	3	4	5	6	7	8	9	10
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- B. Identify something concrete in the present you want to use it for

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

Higher A scores indicate you're more of a natural saver and higher B scores indicate you're more of a natural spender. At the end of the quiz you'll sum up your A's and B's, so it's okay if on some questions you score them the same – sometimes both statements resonate!

When you see something nice that you would like to have, what comes to mind?

- A. You think it would be nice to have one day, I soon forget about it

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

- B. It gets in your head, and you keep thinking about having it for yourself

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

SPENDING RESET QUIZ CONTINUED

When you have to spend money on something necessary, how do you feel?

A. Having to spend causes you stress or worry

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

B. You feel confident that it was the right decision

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

How do you use credit cards?

A. You prefer cash or debit cards

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

B. You put things on credit frequently

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

Now, sum up your A's and your B's

A: _____

B: _____

Higher A scores indicate you're more of a natural saver and higher B scores indicate you're more of a natural spender.

If your scores are pretty close, that means you're somewhere in the middle.

SPENDING RESET QUIZ – Attitudes towards budgeting and planning

When you shop for everyday non-food items like clothes or household supplies:

C. You research before buying to find a good deal

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

D. You buy what looks best in the moment

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

When you go grocery shopping, how do you decide what to buy?

C. You making a shopping list and stick to it

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

D. You buy what looks good or sparks inspiration

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

When you have to make a large unexpected purchase, what do you do first?

C. You figure out what you can afford by looking at your budget first

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

D. You put it on your credit card and figure it out later

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

What kind of monthly budget do you keep?

C. A detailed one!

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

D. An approximate one in your head

1	2	3	4	5	6	7	8	9	10
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Now, sum up your C's and your D's

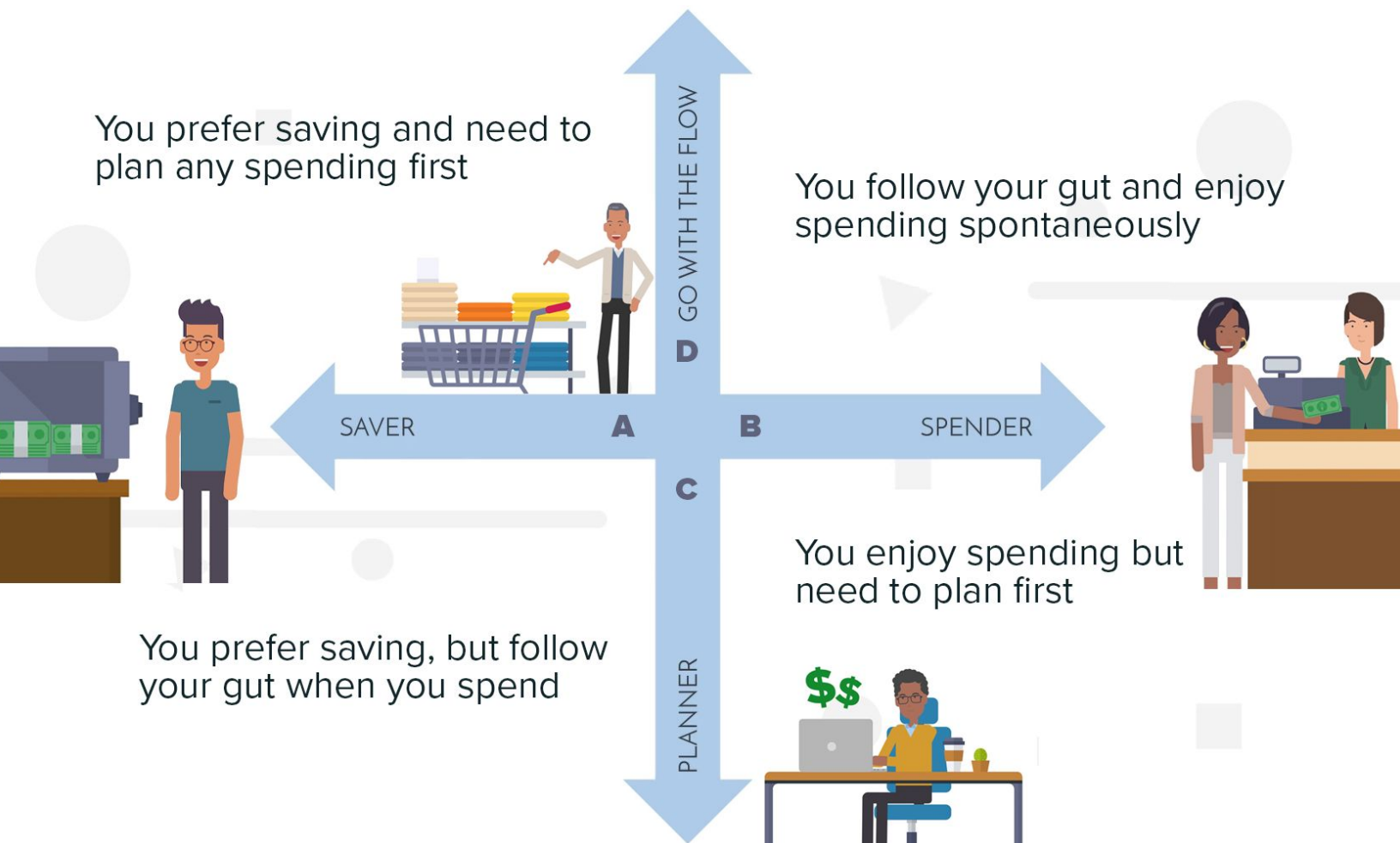
C: _____ D: _____

Higher C scores indicate you're more of a natural planner and higher D scores indicate you go with your gut feeling when making spending decisions.

WHAT KIND OF SPENDER ARE YOU?

Did the quiz on the last page give you some insight into what kind of spender you are on a daily basis? Great! Let's take that understanding a step further.

Check out the spending matrix below. Your feelings about spending money are on the x-axis, while your decision-making process in regards to spending, will be mapped along y-axis. It's important to know that no simple framework can define something as unique as the human heart, but do your best to use the answers from the quiz to see which quadrant you fall most into.



WHY DO YOU SPEND?

Now that you better understand HOW you spend, let's look at WHY you spend the way you do. We'll take some time to look your values, your attitude towards life, money, success, and happiness.

Again, the goal here is personal reflection and introspection, not judgemental analysis. For this exercise, find a comfortable space where you can allow yourself to be contemplative and curious. Take a few minutes to reflect on each question below and jot down a bit about what you've learned in retrospect.

Who is your "Money Model"?

Money Models are the people who influence your beliefs and/or habits around spending and saving. If you're stuck, ask yourself "If you wanted to buy a house...who would you turn to for advice and wisdom"?

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What's the best piece of financial advice you've ever gotten? And what's the worst?

Did someone push you to buy a home before you were financially capable of doing so? Or gave you a "can't miss" stock tip on a company that went bankrupt?

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If you'd like to dive deeper, there are additional questions on the next three pages!

WHY DO YOU SPEND? ADDITIONAL QUESTIONS

Do you ever feel guilty spending money? If so, what kinds of things do you feel guilty spending on? And why do you think that is?

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How do you feel about giving gifts? Do you enjoy it? Does it stress you out? How do you decide what to purchase?

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How do you feel about giving to charity? Do you prefer to donate money or time?

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How do you decide what causes (if any) you want to support?

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WHY DO YOU SPEND? ADDITIONAL QUESTIONS

What things do you like to “splurge” on for yourself? How do they make you feel and why? How often do you allow yourself these pleasures?

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What’s your earliest memory of spending money? Was it money from an allowance? A gift?

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What’s your earliest memory of earning money?

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Have you ever felt “money shame?” (MANY people have!). If so, what did you feel shame about?

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WHY DO YOU SPEND? ADDITIONAL QUESTIONS

Have you ever felt “financially overwhelmed?” If so, what specifically was overwhelming you? Were you able to find a way to reduce or eliminate overwhelm?

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Why did you decide to take this class? Did you feel excited to take it? Nervous? Some other feeling?

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Extra space for thoughts...

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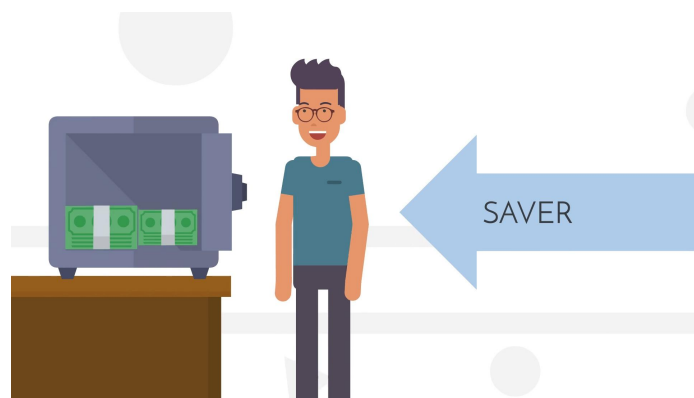
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THE BEST AND WORST MONEY ADVICE MANISHA HAS RECEIVED

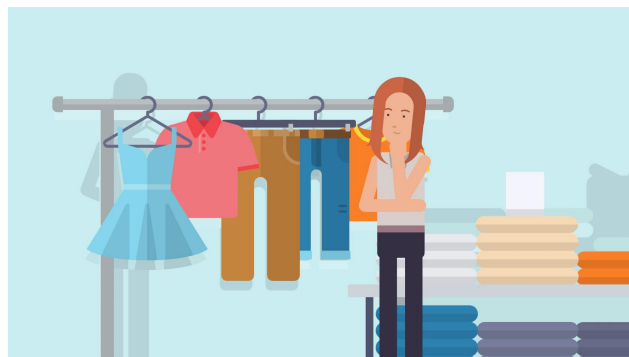
The best money advice I ever received was from my Dad who encouraged me to start saving from my very first paycheck. You've probably heard the phrase "pay yourself first" which means when you get paid, to first set aside money for savings. Then, you can think about spending. Related to this, my Dad taught me when it comes to long-term goals like retirement, it's not enough to just save money, you have to invest your retirement savings in stocks and bonds so it has the opportunity to grow faster than inflation over the years so that you can at least maintain and hopefully increase what economist call "the purchasing power" of your money. I've followed that advice from my very first paycheck and it's resulted in my living life ever since from a place of financial strength and resilience.



THE BEST AND WORST MONEY ADVICE MANISHA HAS RECEIVED

The worst piece of money advice I ever received? To use a store credit card because I'd get 10% off my first purchase. Why was this such bad advice? Because store credit cards tend to have the highest interest rates, the highest penalty interest rates,

AND shortest grace periods when you are late making a payment. Years ago before everything was online and you could set up auto-pay to make sure you were never late on a bill, you used to have to mail in your checks each month to the credit card company. I was on vacation when one of these store card bills came in and then I got busy with catching up with work when I returned home; and I mailed my



payment in late. WHAM! Even though I paid the bill in full, I was sent ANOTHER bill for a penalty fee and notification that if I ever revolved a balance on that card again, I'd be charged a significantly higher interest rate. That practically ate up all the savings I got from that original 10% off. So... no more store cards for me!

HOW DO YOU ASPIRE TO SPEND?

Welcome to the Part 3 of your Spending Reset journey! We've already identified WHAT kind of spender you are and WHY you spend. Hopefully you're starting to feel like you're armed with more knowledge than when you started

Next, let's switch gears and turn our sights towards the future. The first step to a successful spending reset is shifting your financial mindset. It's time to take a moment to reflect on all that you've learned so far in this course, and think about the kind of spender you might ASPIRE to be.

Revisiting the spending matrix

Start by taking a look back at the spending matrix from page 6. With the help of the quiz, you hopefully figured out where you generally fall within the matrix on a day-to-day basis, special circumstances aside. Now, pause and take a deep breath and ask yourself:

Do I feel satisfied with my current spending style? Does it reflect who I aspire to be with my money?

Imagine a gigantic blank canvas. Try to put out of your mind all of the things that you currently spend money on. Imagine that you don't have to pay rent or a mortgage, that you don't spend a certain amount on food or new clothes. Just look at that mental blank canvas.

Now, think about the person you've identified as your money model. Think about the good advice that you've received over the years. And finally, expand that thinking to include your financial aspirations and your personal values.

Use the blank canvas on the next page to jot down your responses to these big picture issues.

HOW DO YOU ASPIRE TO SPEND?



Reflect upon what you put on your blank canvas. Where does the aspirational *you* live on the matrix now? Is it in the same quadrant but perhaps shifted more to the left or right on one axis? Is it in a totally different quadrant? If you want, you can even retake the quiz and answer the questions from the point of view of how your *aspirational* money self spends, not how you've actually spent up until this point in your life.

UNDERSTANDING YOUR SPENDING HABITS

For the remainder of this program, we'll focus on HOW to get from where you are to where you want to be. We'll start with baby steps because lasting transformation comes by simply taking one daily baby step after another. If you're having trouble nailing down your aspirational spending type, these baby steps can help you gain more clarity there as well.

Let's look at a time-tested financial framework which you can use to organize spending changes. That framework is called the 50/30/20 rule. If you've taken my other courses you probably know a little bit about this "balanced spending formula" already.

Aim to devote 50% of your after-tax income to NEEDS, 30% to WANTS, and 20% to SAVINGS.

Needs:

Your spending essentials such as housing, transportation, food, insurance items, and child care

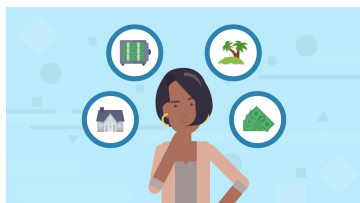
Wants:

You put everything else in here - all the "fun stuff" like eating out, going to a movie, or new clothes

Savings:

In here you have your emergency fund savings for unforeseen circumstances, near term savings for things like a car down payment or a wedding, and longer term retirement savings

UNDERSTANDING YOUR SPENDING HABITS



Here's how the 50/30/20 rule relates to your primary living costs. As you form your spending reset plan, keep these benchmarks in mind so that even if you can't hit them all, you have a sense of how much you need to trim elsewhere to make the numbers work for your household situation.

Housing

When it comes to housing, there are two easy to remember rules of thumb. The first rule of thumb is that in an ideal world you would keep your all-in housing costs to 30% of your take-home pay, including mortgage / rent, property tax, insurance, utilities, and upkeep.

The second rule of thumb is that if you own your home or are considering buying one, a good benchmark is that you can generally afford a home that is up to 3-4x your pre-tax (gross) annual income. That's assuming you put a full 20% down and have a mortgage interest rate below 5%. *Keep in mind that these are broad benchmarks which are highly dependent on the specifics of your geographic location, type of mortgage and other all-in costs.*

Transportation

The rule of thumb here is that the total purchase price of all the cars in your home should not exceed 30% of your household's gross (pre-tax) annual income. For example, if you are in a household income of \$90,000 before taxes that means if you have two cars, they should not cost more than \$30,000.

What's the logic behind this rule of thumb? If you assume a person makes a 20% downpayment and has an above average credit score, once you factor in car payments, insurance, gas, upkeep, parking, tolls, etc. you should find your total all-in transportation expenses add up to about 10% of your take home pay.

Children

The latest report from the USDA shows the estimated cost of raising a child born in 2015 to age 18 is \$233,000 for middle income families. Many of the costs of raising children are built into your other needs, such as buying more food or adding kids to your healthcare. It's hard to put a benchmark on how much you *should* spend on your children, as your childrens' welfare and wellbeing are priceless. But it's important to understand that raising children is a large and growing cost. So reassessing what is truly NEEDED to ensure your childrens' welfare and well-being is a smart things to do - for you and for them.

PUTTING YOUR RESET INTO ACTION: HIGH LEVEL GOALS



Now that you’ve identified your personal aspirations and you have some simple, powerful financial rules of thumb to guide you, how can you put this all into action to reset your spending?

To put it all together, it’s time to create your own personal action plan based on what you’ve learned about yourself and your personal financial situation.

The first step is to compare your actual current spending type to the aspirational spending type you identified. At a high level, ask yourself what are the main differences between these two spending types? Write down the observations, motivations and changes you want to make in the space provided. Having a clear written distillation of your high level goal is an important and inspiring starting point.

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PUTTING YOUR RESET INTO ACTION: CONCRETE STEPS

Now that you know where you need to focus to successfully reset your spending habits, it's time to outline the concrete steps you need in order to get there. By listing out these concrete steps you can routinely look at this list to see how much you are changing and evolving towards your new spending goals.

What changes will you make?
i.e. cutting back on the nail salon

Why do you want to make these changes?

Needs:

Wants:

Savings:

Next, write your concrete goal statements in “I plan to... because I value...” format:

I plan to

because I value

I aim to

because I value

.....

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PUTTING YOUR RESET INTO ACTION: LONG TERM CHANGE

How does it feel to have your goals written out?

These goals and the changes necessary to achieve them, whether they are baby step changes or really big shifts. When things feel scary or you feel unclear about what's next, you can review what you've learned about yourself in this course. This will not only help you keep focus on your spending reset goals, but also reaffirm your values in a way that makes you feel strong and motivated to live them!

To make these goals into long term habits, we need to first and foremost be clear on how they will make our lives better and more in line with our core values. Then we can more easily hold ourselves accountable to them and practice them intentionally.

A great way to start is to **put your written goals in a place where you will regularly see them**. This could be on your bathroom mirror, on the fridge or on the wall next to your desk. You want to regularly remind yourself of these clear-cut goals and why they matter to you.

Another way to help make these changes stick is to **revisit this course and guidebook**, especially the video about how you aspire to spend.

You can also **share your reset goals with your money model, significant other, friend, or family member**. Talking about your spending reset objective with someone else whose opinion you value is another great way to both hold yourself accountable - and get regular support.

Over time these new mindful, conscious goals will become second nature habits, and you'll live them daily without even thinking about it. And when that happens (with consistent baby steps), then you will have really changed or RESET your spending!