

Impulse spending is an issue for many consumers. These tips can help you rein in the habit

- Half of respondents to a recent survey said they know they are overspending, up from 45% in April.
- Credit card debt has been climbing and now stands at nearly \$1 trillion after dipping during 2020.
- These tips for budgeting and avoiding impulse purchases can help you get back on track.



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Setting up a household budget and sticking to it can be challenging. Impulse shopping doesn't make it any easier.

About 42% of consumers say they are worsening their financial situation by doing things like making impulse purchases and carrying more debt, according to the recent Real Financial Progress Index by BMO Harris Bank. Half of surveyed respondents said they often spend more money than they know they should, up from 45% in the bank's April survey.

Credit card debt also is rising. After consumers shed about \$130 billion worth of such debt between April 2020 (when it was above \$1 trillion) and January 2021 (when it was \$961 billion), the amount owed has climbed back up to \$998.4 billion, according to the latest Federal Reserve data.

Often, the hardest part of financial planning is "managing a budget and getting cash flows into a surplus," said certified financial planner Michael Kelly, founder of Switchback Financial in Madison, Connecticut.

"Impulse spending is one of the biggest hindrances," Kelly said.

If you're among those who find such purchases are causing credit card debt to pile up or are limiting you in other ways, there are some steps you can take that may help the situation.

You can start by creating a goals-based budget, said CFP Judson Meinhart, a financial advisor and manager of financial planning for Parsec Financial in Winston-Salem, North Carolina.

"You might be striving for financial independence, or maybe your goals are more immediate and revolve around becoming debt-free or taking a dream vacation," Meinhart said.

"Whatever they are, write them down," he said. "You are [far] more likely to act on your goals if you write them down."

Then, keep goal-oriented money where you're less likely to use it.

"If you want to cut down on impulse buys, put more of your money in the accounts where you're saving for goals, and keep less of it readily available to spend," Meinhart said.

It also may be useful to think about why you keep making impulse buys.

"Often the purchase is made not because you have a strong desire for the item itself but to satisfy an emotional need or relieve stress," said Kelly, of Switchback Financial.

Writing down your values and making sure your purchases align with them can also help, Kelly said.

Of course, in the moment, all those promises you made to yourself may be forgotten. If you are online and see something you're sure you simply must have, take a deep breath.

"Leave an item in your online shopping cart for at least 24 hours," said CFP Jessica Goedel, founder of Pavilion Financial Planning in Allentown, Pennsylvania.

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Jessica Goedel

FOUNDER OF PAVILION FINANCIAL PLANNING

“Let the impulse cool off, and more than likely you’ll have forgotten about it by the next day,” she said.

Goedel also recommends unsubscribing from marketing emails. “You won’t be tempted by that 50% off sale if you don’t know about it,” she said.

Additionally, you can make it harder for yourself to make unplanned purchases.

“Don’t save your credit cards in the apps on your phone,” said Meinhart, of Parsec Financial. “And make purchases with a debit card linked to a checking account you have earmarked for your monthly spending.”

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