

RESERVE BANK OF FIJI



Reasons Why You Tend To Overspend

Creating a budget is the first step towards managing your money wisely but this is a daunting task for many. Sticking to the budget that you have created however is often even harder since it requires you to divide your income into separate expenditure categories which is easier said than done. Unforeseen expenses come up from time to time, and before you realise, you are far off from your savings goal for the month. Losing track of budgets usually happens and you constantly find yourself being unable to save. While such events are unavoidable, you must make sure that they do not become a habit. As a saver you must cautiously examine the reason for your consistent overspending. However, too often the answer is not obvious and if you are one of the many having a hard time to figure out the reason, consider the following and see whether the shoe fits.

1. **Impulsive buying.** At times you may try to justify a purchase to yourself in a vigorous mental debate. In such times, it can be very difficult to fend off that inner voice but the key is to stop and think before you make that purchase. Take time to properly evaluate between your “needs” and “wants” and whether it is within your budget. Writing down what you need for the month helps you stick to your list and clearly shows you what your wants are when the impulse to buy arises.
2. **Forgetting your goal.** People often plan a budget to save for a particular goal such as a car, house, higher education, overseas trip or mobile phone. Unfortunately, saving up takes time and you tend to lose track of your goal somewhere. A great way to combat this is to place a reminder of your goal somewhere where you’ll always see it, maybe as a picture pinned to your desk, your bedroom wall or as a wallpaper for your mobile phone or computer desktop. As long as you have a visualisation of your goal, it will keep you from overspending.
3. **Failing to diligently track your spending.** Keeping your budget intact involves tracking your daily expenditures. Too often we feel that noting down expenses is an unnecessary task and tend to skip this. Noting expenditures down however, can help you identify when you tend to overspend or buy impulsively and can help you cut down on unnecessary and exorbitant expenses.
4. **Not being able to distinguish your needs from your wants.** People often struggle in figuring out what their needs are as against their wants. Usually we are very good at convincing ourselves as to what we need but you must reflect on your budget and carefully consider what you can afford.
5. **Your budget is just not right for you.** Your budget may be too tight or flexible for you. At times the primary reason for overspending is that you probably did not create the right budget for yourself and your lifestyle. Being over ambitious can at times lead to a very strict and unrealistic budget which sets you up for failure before you even begin as every little purchase is likely to put you off your budget. On the other hand, your budget may be too flexible where you find yourself running out of money to cover all your expenses pointing to the immediate need to cut back on a few expenses. In such instances, it is important to take time to re-evaluate how you have planned your budget to better accommodate it to your current situation.
6. **Failing to make adjustments in times of change.** You have to face the fact that change is inevitable and unforeseen expenses may arise causing you to go over budget

and fall back a month or two. Failure to cater for such random expenses can not only overwhelm you but also demotivate you from saving at all. The key is not to be too hard on yourself and adapt to unforeseen circumstances when they do arise. Pushing back your savings goal and cutting back on maybe other expenses is not a reflection of your failure but it is giving yourself room to adjust and make up for the extra expenses which you really have no control over.

It is important to note that your budget does not have to be the same for each month. This is because there are those months with special occasions or events which will drain your budget thus you will have to include these in your budget. The bottom line is to plan your budget in a way that still enables you to save money toward your goal. Sticking diligently to your budget is a difficult task and there will be times when you overspend, it may happen because sometimes it is beyond your control. But more often than not, you will have control over your situation and will just have to train yourself to resist temptations to overspend. If overspending is habitual, you may wish to take some time to re-examine your budget and spending to see how you can prevent this in future. Remember it is a learning process, and not an easy one, but there are great benefits of saving your money for your future!