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## Spenders vs. Savers

Most people can be categorized as either spenders or savers. Depending upon who is doing the assessing there are a couple of other money types such as hoarders and givers but most of us are either naturally spenders or savers. If you are a spender who really wants to be a saver, it can be done. It won't be easy but you can change your behavior if you are sufficiently motivated.

As an example, I have a client who came to see me a few years ago because they wanted to retire within the next few years and they wanted to make sure that long term they could afford to stop working soon. This couple was earning a very nice income. But, they had very little assets set aside for their retirement and they were spending every penny they had. I told them that they had to get serious about saving and investing money for the future. They also had to think about reducing their annual expenses both now and during retirement. But, since they are both spenders and were very good at making impulse purchases, this was not going to be easy for them.

Since the stress of their jobs was really getting to this couple, retiring as soon as possible was the number one priority and everything else was secondary. They made a great effort to maximize their 401(k) and IRA contributions. By paying themselves first and not having that money available also meant they naturally cut back on their discretionary spending and within a few years they retired.

Because there wasn't a whole lot of wiggle room in the retirement analysis when they first retired and they knew they were taking a risk that they could run out of money if things didn't go as well as planned, they still need to stick to a budget and be careful about spending too much. All the discussion over the past few years about saving money and spending less has, along with their own motivation, changed this couple from spenders to savers. This was clear when I was speaking with the wife a few weeks ago and she said they have really reduced their impulse spending. She was honest that it hasn't stopped altogether but the focus has clearly shifted to saving assets, rather than spending assets. For example, they are considering purchasing a piece of equipment. But, rather than just go out and buy the first thing that caught their fancy, they are shopping around, looking for a great sale and have even looked on eBay for a good deal. They are also working on how to fit this expense in the budget. This is definitely not something they would have done a few years ago.

This couple's hard work and their conscience effort to become savers has paid off. They have a much greater asset cushion since they have cut back on their spending and the likelihood they might run out of money before they die is diminishing. I'm sure it hasn't been easy for them but they persevered in order to accomplish their number one priority of being able to retire from their stressful jobs.

So, if you are a spender who wishes to change your ways and become a saver, it can be accomplished if you are sufficiently motivated. You just need to keep focusing on the longer term goals, rather than the short term desires. If your spouse is also a spender, it may be extra challenging until he or she is also in agreement to spend less and save more. It might help to start focusing on a more medium term goal first such as saving up for a vacation in two years. Once you see the funds accumulating and learn how easy it is to save some money, rather than spend it all, it will probably motivate you to start saving for the bigger, longer term goals such as retirement. Don't be discouraged if you have setbacks as it takes time to change a lifetime habit. Try paying yourself first by having cash automatically transferred out of your checking account to your savings account or IRA or other investment account so the cash isn't available for spending. Track your spending as it will help you see where you might be overspending and where you can easily cut back. Before making an impulse purchase, ask yourself what is more important – the longer term goal you are saving for or short term gratification.

The reward for the hard work of becoming a saver, rather than a spender will be watching your assets and net worth grow in value and the satisfaction of knowing you are that much closer to achieving your goals and dreams.