

## **Learning New Habits about Spending**

Consider the following statement: How you spend your money is a reflection of what your values are. Then ask yourself this question: "Is the way I am currently spending my money an accurate reflection of my values?" If you are in debt, spending thousands of dollars on clothes each year and have little saved for retirement this indicates that you place a high value on current consumption and a low value on a comfortable retirement.

For many providers, spending money today rather than saving for tomorrow is a fact of life. Much of the cultural messages we receive from advertising tells us to spend, spend, spend and this results in us acting as if spending was a higher value than achieving any long term financial goal such as college education for our children or ourselves, a summer cabin, or a healthy retirement. In fact our real values are probably not tied to the items we purchase every day. We need to take time to consider how we spend our money and be more purposeful in thinking about what is important to us.

### **Our spending culture**

We live in a culture of spending, not saving. Every day we are bombarded with messages telling us what to spend our money on. Television, newspapers, magazines, the Internet, billboards and radio all are constantly urging us to spend money. Even the clothes we wear often have tags on them identifying the maker so that others know where to go to buy a similar item! We are so used to these spending messages that we probably don't think much about what these messages are telling us. We've been trained to accept our role as consumers without question. As a result we often live beyond our means in expensive homes, driving expensive cars and surrounding ourselves with stuff that isn't yet paid for. One prime example of over consumption is the Christmas season that has become the season of spending rather than the season of giving.

When was the last time you heard the following advertisement carried by the mass media: "Thinking about spending money today? Stop! Don't do it! Instead, save your money for another day. This message was brought to you by...." Wait a minute, who

would sponsor such an advertisement? The reason we won't hear such an ad is that no business can make money selling the idea of saving rather than spending money. We need to move from a society of spenders to a society of savers.

Because our spending culture is so powerful you need to understand more about how money works to be able to get a better handle on our own spending habits. As a provider you are in physical contact with a lot of money on a regular basis. Unlike those who work outside of the home who get a paycheck every two weeks (oftentimes never seeing the money because it's automatically deposited into their checking account) parents may be paying you on a weekly basis. Because parents may not all pay you on the same day you could be receiving money several times a week, sometimes in cash. This constant receiving of money may tempt you into thinking that you have a lot of money to spend! Of course this is not true. To overcome the temptation to spend this money right away, put all parent fees into a checking account (especially cash). If you put your fees away into a checking account right away you will be less likely to spend it.

### **Love more, spend less**

Because you love the children in your program you want to show this love as much as you can. Too often, however, providers equate spending money on the children as an expression of love. Many providers regularly spend money on small items for the children whenever they go shopping (candy, small toys, etc.). These small amounts add up over time. Other providers are constantly buying larger toys each year until their closets, basement and garage are filled to overflowing.

Certainly toys are an important part of helping children learn. However, a thousand toys do not make a greater impact on learning than many fewer toys. The parents of the children in your care probably don't expect you to be spending a lot of money on their children. In fact, you may be making them feel uncomfortable when you do so if they start to worry that they need to buy more stuff to keep up with you. If you are not sure about your parents' attitudes about the amount of money you are spending on their children, ask them about it.

Here's some advice from providers who completed a recent survey we did about money management:

"Stop making so many purchases for your daycare. You really don't need another book or toy. Use the resources you have. You don't need one of each kind of whatever it is you want."

"Stop spending money on your business as it is easy to nickel and dime away your cash for new things you really don't need anyway. Of course, I have updated my equipment and environment with quality items, but it's the little stuff that really adds up without adding much to your business."

"Stop buying so much stuff for your daycare. Most dc providers I know continually buy junk because it is on sale or at a garage sale. Then they have too much stuff and complain they can't get organized."

"Save, save, and spend only what you need to. Reduce, re-purpose, re-use, trade. You have to be creative but kids don't need expensive toys to be happy and learning."

"You can always find ways to save a few dollars here and there. Your daycare children don't need the best of everything to be happy and well taken care of."

When we are spending beyond our means it may seem like saving a small amount of money won't make much of a difference. "It's only \$10 so why not buy it?" In fact resisting the urge to spend even a small amount of money can make a big difference over time:

Spending \$2.50 a day on coffee costs you \$600 a year

Saving \$5 a day for ten years and investing it in an IRA mutual fund earning 8% a year will grow to \$26,438

Even waiting later in life to save will still be worthwhile. If you start saving \$10 a day at age 52 and invest it in an IRA mutual fund earning 8% a year it will grow to \$294,449 by age 70

Although it may seem difficult at times, many providers can do a better job of managing their expenses to free up more money for the important things in life.

*The above article was taken from the Family Child Care Money Management and Retirement Guide.*

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