



...a brighter tomorrow

THE CONSUMER ADVOCATE

Summer 2015

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Thank You

Citi, Bank of America Charitable Foundation, Chase, People's United Community Foundation, NCRC, Discover and all of our other funders for your support!

The Psychology of Spending



There are a variety of reasons people buy what they buy, but what prompts **YOU** to spend your hard earned money? Why do you buy one item, product or service over another?

There may be several factors that trigger you to spend money on items/services you need and want as well as items/services *you do not really need or want*. The best way to overcome the factors that prompt you to spend is to understand the psychology behind why you buy what you buy. Then, you can actively take steps to change your financial behavior.

The most common spending triggers include:

***The role of advertising:** Annually, the advertising industry spends billions of dollars to learn what triggers consumer spending. They have studied everything from product placement, the color of product packaging and logos and wording.

Specifically, these studies have identified consumers are more likely to buy products in a grocery store that are eye level. As a result, costly, brand name products are placed at eye level and generic, less expensive products are placed on bottom shelves. Impulse buys, such as snacks or sale items, are placed in attractive displays or at the end of an aisle which also encourages spending.

Researchers have also found that color affects the way consumers spend. For

example, sub-consciously, consumer's associate the color **blue** with trust and dependability and **orange** with fairness and affordability. As a result, blue is often included in the logo or on the walls of financial institutions and orange is used by "value" stores such as Home Depot and Payless.

A Yale University study found the words Discover, Love, New, Proven, Health, Save, Results and Guarantee to be among the most persuasive in the English language. As such, these words are often used in advertisements and on packaging to promote consumer spending.

Advertising plays on consumer emotions – a desire to be healthy, physically appealing and loved or fear of physical harm or financial loss. Before you buy a product or service, ask yourself "why are you buying this product and what will be gained by making this purchase?"

***Keeping up with the Joneses:** Do you make certain purchases because you believe it will help you to achieve a certain status or because everyone else has it?

It is natural and understandable to want what others may have, such as designer clothes, expensive cars, a large house, etc. But, remember, your self-worth is not determined by the possessions you have and you do not need expensive things to have a fulfilling life! Before making a purchase, ask yourself, "why am I making this purchase?"

The Psychology of Spending (cont.)

* **Impulse Buying:** How many times have you gone to the store and bought items that you did not intend to purchase? When shopping online, do you buy additional items to receive free shipping? Or, when standing in line at the checkout counter of a grocery store, do you impulsively buy a magazine, candy bar or a soda? These are all strategies used by retailers to encourage consumer spending!

To avoid impulse buying, make a list of what you plan to purchase before going to the store and stick to it! Set up a budget for your shopping trip and don't spend more than you budgeted for. If you have children, shop without them. If you are shopping with friends or family, before going to the store, let them know you are following a budget and ask them to help you stick to it!

* **Bargain Shopping:** Everyone loves a good sale and there is a thrill associated with getting a great deal. However, sales are designed to tempt consumers to buy things they had not planned to purchase. Think of a sale like this: If you only purchased the product because it was on sale or a deal too good to pass up, instead of saving money on a deeply discounted item, you actually spent money because you bought something you did not need. It is only a "deal" if you planned to purchase the item *before* you found out it was on sale.



* **Money as Love:** In our culture, many perceive the giving of gifts or money as a sign of love. Of course, periodically buying gifts or spending money on a loved one is normal, but only if you can afford to do so. If you cannot afford to buy gifts, tell your friends and family. It is okay. In fact, most people prefer to spend time with the people they love or receive a thoughtful card or gift instead of an expensive one.

Additionally, you may find a family member or friend will ask to borrow money when they experience a financial hardship. You may feel inclined to offer a loan or monetary gift. If you can afford to so, great! However, if you cannot afford to lend or gift money, do not sacrifice your own financial well-being. Instead, offer to help out in another way. For example, invite them to dinner at your home, offer to babysit their children or offer your ear to listen if they want to talk.

* **Retail Therapy:** Your current mood can determine how you shop on any particular day. For example, many consumers shop when they feel depressed because shopping increases feelings of happiness. However, those feelings of happiness are temporary, especially if overspending occurs.

To learn more about what triggers you to spend your hard earned money, keep a "Spending Log" for a week or two (the longer the better). A Spending Log is simply a place, such as a sheet of paper or notebook, where you write down **every item** you purchase, the cost of each item and the emotion you felt when you made the purchase. After each week, analyze the log to find trends in your emotions and spending habits. This log will also make you more aware of your spending patterns and may even make you think twice before you spend.

Additionally, before you make a purchase, ask yourself the following questions:



- ◆ Will I really use the product or service?
- ◆ Why am I making this purchase?
- ◆ Do I own anything else that provides the same use?
- ◆ Did I feel a need for this item before I saw it in the store?

You may be surprised how often you answer "No" to these questions. If the answer is "No", make a commitment to yourself to not buy the product/service.

If you have any additional questions about the psychology of spending or would like to discuss your own spending habits, contact one of DCC's Certified Personal Finance Counselors for more information.

Do You Know...Your Cell Phone Plan?

Many consumers believe having a cell phone is a necessity, but they are an expense each month. Use the following tips to lower your cell phone plan:

- Look and understand your phone bill. Many consumers are paying for services they are not using. Contact your cell phone provider and ask them to "analyze your usage". Cancel or reduce features not being used.
- If you have several devices i.e. itouch, ipad, tablet, computer, etc., use these devices to search the internet, watch movies, etc. instead of your cell phone. This will reduce the amount of data used on your cell phone. Then, adjust your cell phone data plan accordingly.
- If your cell phone contract expired, consider changing carriers. The largest cell phone carriers are typically the most costly. Instead, purchase a cell phone plan with one of the less costly providers. They offer comparable cell phone plans for up to half of the price.
- Instead of signing a contract (typically two years) with a cell phone provider, use a pre-paid cell phone. Some prepaid plans offer unlimited talk and text for a fixed amount each month. Other prepaid plans offer a "Pay as You Go" option which allows you to purchase minutes/text messages upfront to use in the future. Before buying a prepaid cell phone, do your research as there are often a variety of fees associated with these plans.
- Apply for a free cell phone with Safelink. Consumer's may be eligible for a free cell phone (including minutes and text messaging features) if they participate in a state or federal program or fall within the poverty guidelines set forth by the U.S. Government. To learn more about the Safelink program, visit their website at www.safelinkwireless.com.

Celebrity \$ense

"If you want to feel rich, count all the gifts you have that money can't buy"

~ Anonymous



If you are able to save money on your cell phone plan, establish a plan for what you will do with the money "saved". For example, if you are able to save \$10 on your plan, apply the \$10 "saved" by reducing your bill toward your debt or put it into savings!

Debt Counseling's Success Stories

DCC periodically receives letters from consumers we educate as well as from clients paying down their credit card debt through our Debt Management Program. Often, they share their stories of financial burden which has been successfully turned around with our help. DCC welcomes these narratives as they are great encouragement for those who are just starting out. Below, find is a sampling of notes we have received from clients who are on their way to financial freedom.

"I couldn't be happier dealing with the professionals at DCC. I initially dealt with Jason and then afterwards, Jennifer. Both were highly courteous, non-judgmental and extremely knowledgeable. With the number of credit cards I had and the amount of debt, it wasn't easy for them I'm sure. Thank you, thank you, thank you. I totally believe in this Debt Management Program and urge everyone I know who is having issues not to hesitate to call" ~ R.T.

"I am so grateful that I found your services. Not only did it help me pay off my credit cards faster, but it opened my eyes to how I was spending A LOT of money on silly things like coffee everyday and clothes shopping. Using cash only has been an eye opening experience and taught me a lot about me. [This program] has helped me so much and I have recommended you to several of my friends. " ~M.L.

Want to share your story? Email Carly Wardwell, Education Director at cwardwell@debtcounselingcorp.org.

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Spotlight on the Community

Debt Counseling Corporation is excited to announce that in the first quarter of 2015, DCC's Education Team conducted **fifteen** money management workshops as part of the Eastern Suffolk BOCES (Board Of Cooperative Educational Services) ESL (English as a Second Language) classes through our program *Esperanza Financiero* (Financial Hope). These workshops taught first and second generation Spanish speaking consumers, the majority of whom fall into the low to moderate income bracket, the basics of money management. Workshops explored the importance of becoming a "banked" consumer, how to develop a monthly budget, tips to reduce expenses and offered several referrals to social service and non-profit agencies that provide additional assistance. Following the workshop(s), DCC's Education Team received rave reviews by participants and several teachers sent in short notes thanking DCC for our program.

What's New at DCC



Debt Counseling Corporation is always looking for new ways to better serve our clients. In recent years, DCC's staff recognized a sharp increase in the number of requests for help setting up a payment plan on student loans. In response to this unmet need, Debt Counseling Corporation will launch a student loan program in the later part of 2015.

Through our student loan program, DCC will educate consumers about the different repayment options available on federal student loans including standard repayment, income based repayment, income contingent repayment and the like. DCC will also educate consumers about the various loan forgiveness programs available, help them determine which, if any, they may be eligible for and how to apply.

Through DCC's student loan program, our certified counselors will help consumers set up an affordable repayment plan that easily fits their monthly budget. Visit our website, www.DebtCounselingCorp.org, regularly to check for updates on this program!



The mission of Debt Counseling Corporation is to educate the general public about debt management options such as budgeting, refinancing, and a debt management program; to provide consumers consistent, superior, individualized service; to provide each consumer with the tools they need to develop and modify a budget which will allow them to maintain a