

Cutting Yourself Off: Setting Spending Limits With Your Bank or Credit Card

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Keeping a diary of your purchases and saving up for unexpected expenses can help ensure your spending stays under control. (Getty Images)

If you feel uneasy every time your bank balance drops, it might be time to revisit your [spending patterns](#). After all, if you don't set restrictions, chances are you won't have enough income to reach your [financial goals](#), like retirement, saving enough for your kids' college tuition and [paying off your mortgage](#).

But while setting spending limits – and [sticking to them](#) – seems easy, it's not that simple. According to a February 2017 Consumer Financial Protection Bureau report, common challenges consumers face when it comes to keeping good records of their income include receiving financial information in many forms, from pay stubs to checks to bills, and getting records at different times of the month and year. The report also noted that, among other problems, consumers pay with credit cards, debit cards and cash, making it difficult to keep track of spending.

If you're looking for some ideas on how to successfully set your own spending limits with your bank or [credit card](#), try these strategies.

Request a new spending limit. You can ask your credit card issuer to lower your [credit limit](#), but keep in mind this is a risky move since doing so can lower your [credit score](#). Plus, you could encounter setbacks in the future if you have an emergency or you want to buy something expensive that you've been saving toward. Before you follow this strategy, keep in mind that many personal finance experts recommend setting your own limits, rather than having your bank or credit card set lower limits for you.

Come up with a credible budget. It's going to be much easier to give yourself a spending limit if you aren't overly demanding of yourself.

"Quite often, people set budgets that aren't realistic," says Ramy Serageldin, who is based out of Charlotte, North Carolina, and is the co-founder and CEO of Honeyfi, a budgeting app that helps couples manage their money.

Serageldin offers up the example of someone saying, "I'm only going to spend \$100 on groceries this month." For most households, that just isn't going to cut it. If you aren't realistic, "it can actually become demotivating because you won't hit the goal and from there it can be easy to just give up on the budget all together," he says. "Start with what you currently spend today and work up to where you want to be."

For instance, try spending 5 percent less this month than what you spent last month, he says. If you hit 5 percent less, then the next month, you can try to spend 10 percent less, he adds.

Before you set your budget, consider past spending patterns. In addition to helping you set a realistic budget, examining your spending history can also help you finesse exactly what that daily limit should be, says Jill Emanuel, a financial coach with Fiscal Fitness Phoenix in Mesa, Arizona. According to Emanuel, one of the first things her firm does when coaching people is determine the amount of money that should be allocated for [day-to-day shopping](#).

"This includes things like groceries, eating out, grabbing coffee, miscellaneous household items, dry cleaning, toiletries or personal grooming," she says. "We take a look at their average spending in these categories over the last few months and then find a number that they are comfortable with locking in."

For instance, if you tend to average \$1,400 on your day-to-day spending every month (excluding fixed bills, like your mortgage and phone payment), you would divide that number into two if you receive two paychecks each month, Emanuel says. Then you should take that amount (\$700 in this case) out of your bank account in cash, Emmanuel stresses. The cash, of course, is what you have allocated for day-to-day spending for the selected pay period.

Why is it important to take out cash? "The physical reminder of how much money you have to spend really helps to temper spending, and studies have shown that people who use cash will spend 12 to 20 percent less than people who use debit or credit cards," she says.

Save for miscellaneous and unexpected expenses. One reason you may struggle with your spending limits is forgetting to [budget for irregular purchases](#) that do not fall into a fixed bills category, such as a mortgage or car payment, but aren't essential for day-to-day shopping. Remember to account for added expenses like pet costs, car

repairs and clothing, Emanuel says. She suggests setting up some savings accounts specifically for those irregular expenses.

"Estimate what amount will be needed per year and divide that by 12," Emmanuel says. "Then, each and every month, put that set amount into its own savings account, earmarked for that expense category. Doing this sets a spending limit for each of these categories," she explains. "For instance, if a person is going clothes shopping, they can check their clothes fund prior to going to the store to see how much money they have in that account. If a person has \$200 in their clothing fund, they won't go shopping and spend \$300 on clothes."

Even better, if you don't buy much in clothes one month, you have even more to spend on clothes the following month.

Keep a spending diary. It works, insists Darla DeMorrow, a professional organizer who owns HeartWork Organizing, LLC, based in Wayne, Pennsylvania.

"People think it's too much trouble or not possible [to maintain a spending diary], but this is how I've had clients who have gone from being [riddled with debt](#) to having \$25,000 in savings and no debt," she says. "A simple index card in your purse or wallet does the trick. When you have to write what you spend down, whether it was for a \$4 [latte](#) or a \$400 mattress, your brain registers pain, and you develop a stronger reflex for whether you *want* to spend that money, or whether you are spending because of boredom, habit, shame, depression and so on." DeMorrow adds that you can also use a money-tracking app to essentially do the same thing, "but the brain really likes to see the numbers up front, in black and white." Indeed, studies have shown that if you write things down, the brain remembers the information better than if you simply hear the information and try to later recall it.

Automate your payments. Lori Atwood, a certified financial planner based out of the District of Columbia and founder and CEO of

FearlessFinance.com, a personal finance platform and app, suggests setting up recurring payments. By establishing automatic payments, you'll make their timing predictable, and make it easier to hold yourself accountable.

"Become a creature of routines," she says. "If you always eat lunch out, that's fine, but try to keep it to the same amount each time. If you like movies, make a deal with yourself to do two movies per month and stick to it." In other words, the more predictable you become, the more predictable your expenses will be.

