MONEY PERSONALITIES: WHY WE ARE PRONE TO OVERSPENDING
Presented by Mark Phillips

Often, overspending is a misguided attempt to meet an underlying need. It could be the need for a thrill, a need to show love, or a need to feel powerful. By understanding the different reasons we are inclined to overspend, you may be able to help yourself avoid or overcome this damaging habit. The key is to satisfy the underlying need; if overspenders don’t find another outlet for getting those needs met, any positive changes in spending habits are unlikely to stick.

Many cases of overspending involve a heavy psychological component. If you continue to struggle with a change in spending behavior these tips may not be sufficient and your best bet may be to seek help from a professional therapist. If you’d like help but simply don’t know how to start, please give us a call—we’ll brainstorm together.

First a bit of brain chemistry: Dopamine is also a neurohormone released by the hypothalamus. It naturally occurs in the brain, but its presence varies due to our physiology and behavior. Dopamine can be supplied as a medication that acts on the sympathetic nervous system, producing effects such as increased heart rate and blood pressure.

Dopamine’s role in experiencing pleasure has been questioned by several researchers. It has been argued that dopamine is primarily associated with anticipatory desire and motivation (commonly referred to as “wanting”) as opposed to actual consummatory pleasure (commonly referred to as “liking”). As such, Dopamine is closely associated with reward-seeking behaviors, such as approach, consumption, and addiction. Recent researches suggest that the firing of dopaminergic neurons is a motivational substance as a consequence of reward-anticipation. This hypothesis is based on the evidence that, when a reward is greater than expected, the firing of certain dopaminergic neurons increases, which consequently increases desire or motivation towards the reward.

So if we do things that stimulate our body (brain) to produce Dopamine we get a rush that is pleasurable. Doing things that cause our brains to anticipate an otherwise unexpected pleasure will elevate Dopamine production in the brain. Some studies have shown that the biggest moment of Dopamine rush occurs the moment that we truly believe that we are going to be “rewarded” and that the effect has significantly diminished by the time the reward is actually received. This is the brain chemistry explanation for what is often referred to as buyers remorse.

Common reasons people overspend:

- **To relieve bad feelings.** This category includes people who spend when disappointing things happen (like not getting a promotion they were hoping for) and people who are trying to fill an emotional hole with their spending. The tendency to turn to “retail therapy” is understandable: for many people, shopping produces a spike of dopamine (a naturally produced biological drug hit) in the brain, which feels really good. The problem is that dopamine’s effects are short-lived; when they vanish, many overspenders are left with feelings of guilt—and an item they no longer care to have.

  **What may help:** I encourage those who self-medicate with shopping to find healthier ways to relieve bad feelings. You might try exercising, volunteering, painting, writing, or another positive activity. Make a deal with yourself: that you can go shopping only after an hour of another activity that provides a longer-lasting and more fulfilling kick. When the hour is up, you may find that the urge to spend has passed.

- **To celebrate.** Some overspenders use money to celebrate when good things happen. Dopamine is not just exciting. It is also calming. An effect that has been likened in its effect to an injected
drug that is widely used: Nicotine.

- **What may help:** Ask friends and family to help brainstorm new ways of celebrating that don’t break the bank. The brainstorming itself may help you feel more taken care of—and possibly even nudge you toward celebrations that focus on loved ones rather than on spending.

- **To empower themselves or get even.** Money is often used as a source of power in relationships. You may overspend if you feel that your voice isn’t heard in the relationship or that your partner is controlling you. To get even, or squash feelings of helplessness, you may spend money, sometimes hiding your purchases, other times throwing them in your partner’s face.

- **What may help:** This behavior may stem from past experiences (those that pre-date your current relationship), or it could represent something in your current relationship. Either way, unless your partner is willing to discuss it, this situation will probably require a counselor’s help. If your are both open to the conversation, ask yourself to think of one or two concrete things that you could do—or that your partner could start doing—to help you feel more in control. Remember, this kind of scenario is often quite complex, so take it one step at a time and seek professional help if this proves difficult to address on your own.

- **To show love.** Some people overspend on friends and family to show love. They are often replicating behavior they saw as children, or they may be attempting to make up for a perceived inadequacy elsewhere (not being intimate, not being home, etc.). In some cases, this kind of overspending arises from a misunderstanding that can be relatively easy to resolve (e.g., the husband thought the wife wanted/deserved all the luxuries in the world and ended up working incessantly to afford them). Other times, the scenario is much more complex.

- **What may help:** Having a conversation about your values and dreams with family, friends and trusted coaches. Use these discussions to discuss other ways to show appreciation for family and friends consistent with your feelings. If these behaviors remain unchecked consulting a therapist could be in order.

- **To keep up with the Joneses.** The motivation here is similar to that in the last case: proving something through spending. Rather than projecting a loving image to family, however, the need to keep up with the Joneses is about maintaining one’s status in the community.

- **What may help:** A conversation with your family and financial advisor about your values can be quite useful here as well. Consider this: do you have any friends with whom you don’t feel the need to do this jockeying? How are these friends different, or why do you feel differently with them? Perhaps spending more time with friends who don’t appear hung up on spendthrift habits is in order. This may involve pursuing new activities, hanging out at new gathering spots, and the like.

- **For the thrill of it.** Two types of people overspend almost entirely for the dopamine rush: gamblers and bargain hunters. The prospect of making more money entices gamblers to overspend, while bargain hunters simply can’t resist a “good deal.” Dopamine is a naturally produced narcotic.

- **What may help:** In most cases, this kind of overspending is a true addiction. The best solution is likely to find a counselor or support group. Try [www.gamblersanonymous.org](http://www.gamblersanonymous.org) or [www.debtorsanonymous.org](http://www.debtorsanonymous.org).

**Overcoming avoidance.** Bad spending habits are often compounded by a person’s complete avoidance of the issue. Many overspenders just don’t want to think about their overspending. Scare tactics and pressure tend to make the situation worse, so firm, caring guidance by others wishing to help is usually
the best tactic. Try these approaches:

• Appeal to your dreams: “Would it be helpful if we could find ways of getting that vacation house you’ve been dreaming about?”. Keep your dreams in the forefront of your mind. Put a picture of the place you are saving to go on vacation, or retire to, on your refrigerator.

• Ask yourself what you can really handle: “What am I really able to do to achieve the goals I want? What do you think we could talk about?” This is a bit of prioritizing as you determine you can sacrifice anything less important.

• Share your situation, concerns and goals with others: “I don’t know if you know this, but it’s hard for me to have these discussions. I want to change these behaviors but am struggling to do so. I really want to save to afford XXX, and am really not doing very well.” This is the “go public” stage where friends and family become supporters of this change in behavior. Those that are not your goal supporters (otherwise known as co-dependents or enablers) …well, your time should be for true friends.

• Understand when and How your brain’s natural chemistry is not helping you:

General suggestions

While there are no simple solutions, you may find the following ideas helpful.

Allocate money for “conflict” expenses.

Sometimes, one or two specific kinds of purchases drive you or your spouse crazy. Rather than trying to curb the behavior entirely, simply plan for it. Ask the spouse who likes spending to decide the amount he or she needs for these items; if it’s financially viable, put that money into a separate account each month for the spender to use as he or she sees fit. (Generally, this only works when the overspender commits to using cash, or a debit card for the specific account, as credit cards allow for overspending.)

Create “hot state” rules.

A hot state is when an unchecked emotion overpowers rational thinking. In contrast, a cold state is when the rational side of the brain has the reins. By creating spending rules during a cold state, you are much more likely to follow them in a hot state. These rules should feel liberating rather than constraining; I suggest strategies that help you break free from the spending habits that are controlling you. Here are a few examples:

• I will leave my wallet in the car when I go to the mall. If I want to buy something in the store, I will go out to the car and see if I still want the item.

• I will not use anything I buy for two days, and I will return any purchases I don’t want to keep.

• I will call my sister each time I want to buy something and get her thoughts.

Outsource.

Some overspenders know their own limits and just need a little help to keep their spending in check. In these cases, outsourcing can be a useful tool. Calling a friend or family member for advice on a purchase, as mentioned above, is just one option. If you don’t care about keeping the purchases but hate the act of returning them, maybe you or your spouse would be willing to take on this task. Or perhaps the you could
hire someone to do the returns. The most powerful form of outsourcing is for the you to have paychecks deposited directly into an account that you do not manage or directly access. From there, funds can be allocated (automatically or by your advisor) to an account for paying bills, to another for investments and goals, and to another for spending money. By limiting your spendable money to one account, you won’t have as much to play with. If you don’t want to deal with the headaches of overspending, putting someone else (or an automated system) in charge of your paychecks can be a great solution. But again, take this step only if it feels liberating to you.

Remember…

Overspending is often a very complex, personal issue. If you have any questions or wish to discuss your particular case, we’re here to help.