

# RODNEY C. BURRIS

- WORKING TOGETHER -

## Smarter Money 101:

*Intentional Cash / Mindless Swiping: The impact that paper vs plastic can have on our spending habits*

### **BREAKING POOR HABITS**



#### **Intentional Cash / Mindless Swiping: The impact that paper vs plastic can have on our spending habits**

**If we are to *RUN* our money like we are running a business, then we need to be intentional about our spending.**

And for most of us, that means taking into direct account how we spend little amounts of money... which often can add up to hundreds of dollars per month (e.g., Starbucks, smoking, happy hour, lunch meals... etc.).

***It is often easier to track this when we are forced to spend hard cash in order to make these purchases.*** Hard cash forces us to break those bigger bills (giving us a moment to reconsider our purchase). Hard cash forces us to watch the money dwindle. Hard cash forces us to choose.

Credit cards, on the other hand, effectively anesthetize the pain of paying.



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You see, *when you swipe the card and it doesn't feel like you're giving anything* up to make the purchase, unlike paying cash where you have to hand over bills. It's easy, almost too easy, to swipe a card and move on. Credit cards provide the most *decoupling* feeling of payment and transaction out of all the payment methods. In other words, you buy now and pay later, and so the acts of buying and paying become “decoupled” in your mind.

*I don't have to face the reality of  
what I spent until I check my bank statement later on,  
...if I check it at all.*

***Cash is harder to give away*** and having a set amount of it at your disposal helps you to spend within a budget, reducing the level of temptation. This means you literally take a pen and paper, write out what you need to spend money on each month, then break it down into biweekly and weekly. Once you have those amounts, make one trip to the bank/atm, pull out the requisite amount of dollars, separate the money into appropriate categories, and spend accordingly.

*You might very well be amazed at how much money you begin to adjust/save as a direct result of budgeting with cash.*

Let's become more financially fit by *changing* how we cycle our cashflow:  
You may have to do a little research to answer some of these questions

Create a simple cash budget for yourself. Identify what you have to pay, you can pay with cash, versus card, to help **take advantage of the friction** that comes with cash spending. In order to create this budget, answer the following questions (If helpful, think of a particular item(s) you have purchased or desire to purchase in the future):

How much do I need to live a simple, yet comfortable life, with plenty of food, a home, hobbies, some for enjoyment/ vacations/some nights out?

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Which things are important and essential to me?

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Where am I being wasteful?

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What could I accomplish this week that would make me really excited?

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How Much Should I Put in an Emergency Fund?

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How many hours did I have to work to pay for this purchase?

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What conditions or habits do I have to set so that my desired outcomes happen automatically?

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What would I do if I wasn't afraid of failure?

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# When to Pay with...

When it comes to spending, paying with cash is usually the best bet. But there are times when it makes better financial sense to use a credit card (as long as you handle your credit responsibly and pay off your full balance every month). Make sure you know which features your credit card offers—don't just assume—before making the purchase.

**3** times you should always use cash



- 1 BILLS THAT CHARGE FEES** Some recurring bills (like utilities or health insurance premiums) charge a small fee when you pay by credit card, so only use cash for those bills.
- 2 PAYING OFF DEBTS** If certain bills (like medical bills) are getting out of hand, negotiate a plan with the creditor, which almost always costs less than paying by credit card and racking up interest.
- 3 SMALL, EVERYDAY PURCHASES** Putting daily lunches and lunches on your credit card can land you in debt and stick you with interest payments that end up costing more than the original charges.

**Credit card** use means you're borrowing money with a promise to repay the loan, possibly with interest. **Debit card** use pulls cash directly and immediately out of your bank account. **Cash** use means handing over physical money or paying by check (either paper or through online banking).

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**5** times it makes more sense to use a credit card



- 1 PRICE PROTECTION** If you buy something and then find the same product for a lower price within ninety days, some credit cards will refund the difference to you, thanks to a card feature called price protection.
- 2 EXTENDED WARRANTIES FOR ELECTRONICS** Most credit cards offer automatic extended warranty coverage on electronics and appliances, so you can skip the costly retail version.
- 3 HOTEL STAYS AND RENTAL CARS** Paying for these services with cash or a debit card often requires a hefty deposit or a hold on your bank account, making universally accepted credit cards a much easier choice.
- 4 INTERNATIONAL TRAVEL** Lost or stolen credit cards are easily replaceable; cash is not.
- 5 LARGE PURCHASES** Open a 0% interest store credit card account when you make a large purchase (like a sofa or washer/dryer), as long as you can pay off the purchase during that 0% interest period.

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