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November 2006 issue | Retro Coin

*Kelley Keehn, lecturer, business coach, corporate trainer and author of three books, including *The Woman's Guide to Money*, uncovers "inner games" we play surrounding wealth. As a financial professional for more than a decade, she's developed a fun, practical guide to changing your money mindset at a fundamental level.*

waste of money

by *Kelley Keehn*

I'm a math geek, I'll admit it. The thought of crunching numbers excites me. But for every other normal Calgarian, calculations can send a shiver down one's spine quicker than nails on a chalkboard.

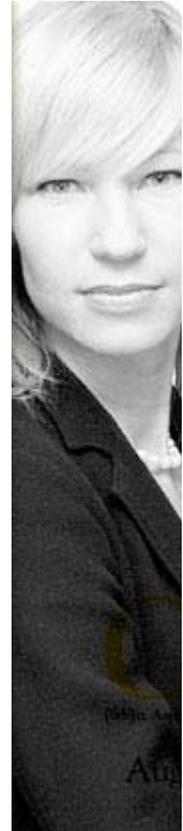
However, there are some painless money guidelines everyone should be able to follow:

- Beware of mental accounting. Let's assume you were shopping for a lamp. You found one for \$100. Just before handing your money over to the cashier, you bump into one of your friends. She says you can get the identical lamp for \$50 just a few blocks away. Do you go? Of course you do. That's a savings of 50%.

Now let's forget the lamp for a minute and pretend you're in the market for a big-screen TV. You've settled on a new tube that will set you back \$2,500. Again, you bump into a friend at the store and he says you can get the same TV for only \$2,450 a few blocks away. Do you go? Likely not. After all, you spent hours negotiating and it's only a 2% price difference - what's a few dollars when you're spending thousands?

This is where you've lost the game of mental accounting. \$50 is \$50. If you'd go a few blocks to save on a lamp, why not with the TV?

- Small dollars add up to waste. Examine how many times in a month you've taken just \$20 from an ATM machine that isn't from your own bank. I've been guilty of this, and so have many others. Each withdrawal can cost you \$1.50, if not more in bank fees. Monitor your cash spending and take out the amount you need for the month all at once. If you do this at your own bank, it shouldn't cost anything.
- Found money isn't free money. Contrary to popular belief, whether it's a prosperity cheque, tax refund or other type of windfall, there's no such thing as "found money." Thinking of any pot of funds as a free gift encourages frivolous spending patterns that would not otherwise be acceptable if the dollars spent were from your monthly employment income or taken out of savings.
- Spending with the intention of paying later. Justifying buying something on a credit card because the sale is too good to pass up can be more costly than you might think.



Buying an item that's on sale for 20% off might seem like a great deal, but if you don't pay your credit card balance on time, you might end up paying more than 28% per year on that purchase. Be extra leery of no-money-down or don't-pay-for-a-year offers. They usually come with high administration fees and if you don't pay them off when the term expires, the penalties and interest are lofty. For more great money tips, keep reading Orb and the coin section. For all of my fellow math geeks out there, pick up a copy of *Why Smart People Make Big Money Mistakes and How to Correct Them* by Gary Belsky and Thomas Gilovich.

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