

## SALES, ADS, SCAMS & OTHER MONEY TRAPS TO AVOID

Marketing experts are paid tremendous amounts of money to figure out what makes people buy a certain product, spend more money in a store or sign up for a subscription. Most of us are amateurs going up against the pros – and guess who usually wins?

A strong tie exists between emotion and money, and marketers know that. Research shows that people spend unnecessary money in response to certain emotions. If you recognize any of these emotions as a factor in your spending, then money may not be the problem. Learn how to handle that emotion in a better way and help solve your financial problems, too.

**DEPRESSION:** When people are depressed, they often spend money on things to make themselves feel better. Unfortunately, this improvement is a temporary feeling. Soon after spending, you'll usually feel even worse. Next time you feel you are shopping because you are depressed, call a friend (preferably not long distance!), get some exercise or do whatever energizes you (but NOT shopping or spending money).

**ANGER:** When people get angry, it's common to spend money to work off the negative emotion. Next time you get angry, clean out a closet, meditate, go for a run, swim, or walk, or do something to make yourself feel better (something that doesn't cost a lot of money or compromise/sabotage your money plans).

Other emotions that can affect spending are jealousy, fear, joy, or boredom just to name a few. Don't let them sabotage your financial plans!

## HOW MUCH SHOULD I BE SPENDING?

Housing = 35%

Expenses = 25%

Debt = 15%

Transportation = 15%

Savings = 10%

Remember! Your budget should be based on your take-home pay.

## WAYS THAT WE MAY BE TEMPTED TO SPEND MONEY

**SALES:** Sales are not bargains unless you need the item.

**YOU WILL LOOK YOUNGER, HEALTHIER AND HAPPIER:** These products appeal to our vulnerabilities and rarely provide solutions. They are just expensive!

**BUY NOW, PAY LATER:** The problem is that later you haven't saved up the money you promised yourself you would to pay the item off before the high interest kicks in. And, now you're bored with the item, it's outdated, or it's broken.

# BOLEMAN

Legal Solutions for Financial Problems

**PAYDAY LOANS:** Payday loans charge a very high rate of interest due to their structure – and should be avoided! They are a cash “advance” on your paycheck, and are used by people who need quick cash. The problem is that people usually don’t have the money available on payday, and end up taking out additional loans. These can easily add up to 400% or more Annual Percentage Rate (APR) interest.

**RENT-TO-OWN:** Rent-to-Own schemes are bad deals as well. It is usually far better to save up the money to buy the item a few months from now rather than renting it now and having to pay for the item for many, many months.

## INTEREST RATES

Interest rates DO make a difference. Lenders who offer “easy credit” or who aim at borrowers with poor credit histories make up for taking that risk somehow! They normally do it by charging a higher purchase price for the item and/or by charging very high interest rates.

Compare the following examples:

Loan Amount	Loan Term	Interest Rate	Monthly Pmt.	Total Interest	TOTAL COST
\$15,000	5 years	5%	\$283	\$1,984	\$16,984
\$15,000	5 years	10%	\$319	\$4,122	\$19,122
\$15,000	5 years	15%	\$357	\$6,411	\$21,411
\$15,000	5 years	20%	\$397	\$8,845	\$23,845
\$15,000	5 years	25%	\$440	\$11,416	\$26,416

## LENGTH OF THE LOAN

The time period over which you pay off a loan makes a difference also. The quicker you pay off a loan, the less you pay in interest.

Loan Amount	Loan Term	Interest Rate	Interest Paid	TOTAL COST
\$80,000	30 years	7%	\$111,607	\$191,607
\$80,000	15 years	7%	\$49,431	\$129,431

Loan Amount	Loan Term	Interest Rate	Interest Paid	TOTAL COST
\$15,000	3 years	10%	\$2,424	\$17,424
\$15,000	5 years	10%	\$4,122	\$19,122

This information comes from the Boleman Law Firm’s Financial Management Guide. If you would like to receive a complete copy of our complete guide, please contact us! To request a copy via e-mail send an inquiry to [ajscott@bolemanlaw.com](mailto:ajscott@bolemanlaw.com).