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SO YOU BLEW YOUR PAYCHECK - NOW WHAT?

By: Michael Keenan - March 15, 2017

When yet another bill arrives after you've already spent your paycheck, it can leave you feeling like a hopeless passenger in a car that is spinning out of control. However, taking a few steps to seize control of your finances can put you back in the driver's seat.

You can't always influence whether you receive a raise or how big a bonus you get each year. But you can decide what to do with the money you already make. Read on to determine how you can stop living paycheck to paycheck and start saving the money you need for things that are important to you.

1. IMPLEMENT A SPENDING FREEZE

If you've blown through your paycheck, implement a spending freeze as soon as possible to avoid racking up more bills you can't pay off. "The first step is to take a critical eye to ensuring your needs are met," said Amber Berry, a certified financial education instructor and founder of the Feel Good Finances website. "This would be housing — and associated expenses — and food. If the time period is just a few weeks, there are many things that can be put on hold."

The extent of the freeze can vary depending on how short on cash you are and how long you have until the next paycheck arrives. "It can have varying degrees of subzero temperatures, depending on the seriousness of the situation," said Galen Bargerstock, founder of Government & Civil Employee Services in Lucerne Mines, Pa., which offers professional retirement and benefit services to state and federal employees.

"You can put yourself or your family on a spending freeze anytime that you are in need of making some extra money and/or trying to make your dollars last a little longer," Bargerstock said. "If you are just trying to casually get caught up on your bills, a spending freeze will allow you to only spend money on necessities like your mortgage, utilities and — at the absolute least — your minimum credit card payments."

2. SEEK ACCOUNTABILITY

Having someone hold you accountable for spending can help motivate you to avoid frivolous purchases. "If you want to have an accountability partner, the first person you should look towards is your spouse or significant other," Bargerstock said. "With your accountability partner, you should be able to discuss things like financial goals and what bills you think are a necessity. An accountability partner is someone that you can trust, who you know has self-control."

This approach can also work for people who are not in a relationship. "I have found incredible accountability partners in online communities," Berry said. "I have met amazing people in Facebook groups." She added that honesty, communication and commitment are "the three most important keys for accountability relationships to work."

Everyone has triggers that make it tough for them to avoid spending money. These triggers differ from person to person. "Triggers can be anything as obvious as going out drinking with friends all night, to a $500 online shopping spree for an entirely new wardrobe," Bargerstock said. "Planning around them is simple when you keep your financial goals in mind and you have a partner to keep you accountable."

3. CLARIFY THE ISSUE AND YOUR GOALS

From time to time, you might encounter unexpected expenses that make it feel like your paycheck just disappeared and you have nothing to show for your hard work.

However, if you find this happening on a regular basis, adjusting your attitude can be the most important change you make, said Divam N. Mehta, a certified financial planner and CEO of Mehta Financial Group in Glen Allen, Va. "Once the issue of overspending has been identified, then the individual can take gradual steps to improve," Mehta said.

When you're ready to make changes, clearly identify your goals, said Michelle Panzo, manager of the Orange, Conn., branch of Connex Credit Union. If you just want to stop blowing your paycheck, it's hard to measure your success. And success can look different for each person based on long-term goals.

"Regardless of how big or small, setting a goal (or goals) is imperative to your financial improvements," Panzo said. "Whether you want to save $100 extra each month or pay off two credit cards by December, having a focused approach will provide the motivation necessary to adhere to your financial resolutions."

4. REVIEW SPENDING TO SEE WHERE YOU MESSED UP

If you don't know where your money goes, it's hard to figure out what you need to change. "Before you can set a budget, you need to have a better understanding of your spending," said James Capolongo, TD Bank's head of consumer deposit products.

Capolongo suggested you track frequent expenses and create a budget for the things that are most important to you. "For example, you can budget a certain spending amount each pay period for groceries, clothing or personal items, entertainment, eating out, and — of course — savings," he said. Capolongo also said to include the cost of monthly services. Besides utilities, you might also have a gym membership, streaming video or home delivery subscriptions.

If you use credit cards or debit cards to make purchases, a range of apps can help you review where your money is going without having to use a pencil and paper or save all receipts. Some of these apps are free, so it won't be another expense to add to your budget. As you track expenditures over time, calculate an average of what you spend each month. This will help you even out the ebbs and flows of spending.

5. EVALUATE YOUR MONTHLY EXPENSES

Now that you've figured out where money is going, evaluate how necessary each of those expenses is, said Dennis McNamara, a fee-only financial planner at Lighthouse Financial Advisors in Red Bank, N.J. This doesn't mean you have to suck the enjoyment out of your budget completely. Instead, learn how to budget properly so you maximize dollars instead of wasting them.

Mehta said there are several spending habits that can become wasteful and harmful to your future retirement unless those habits are corrected. "Some of the most egregious are paying excessive fees for gym memberships, dining out for lunch (or) dinner and paying for cable TV," he said. If you aren't watching much live TV, Mehta recommended cutting the cord and replacing cable with an on-demand option. He estimated the savings at up to $1,000 or more each year.

When deciding which expenses to trim, each person will have different priorities. Perhaps you absolutely can't live without your fancy coffee once a week but could care less about having the fanciest new cellphone. Or maybe you can say "no thanks" to coffee if it means you have a cellphone with a streaming music service to accompany you on morning runs before work.

6. QUIT AN UNHEALTHY HABIT

Many unhealthy habits are damaging to your wallet as well as your mind or body. "Make 2017 the year you drop expensive habits like smoking cigarettes or consuming large amounts of soda," Panzo said. "While this may not be easy at first, a slow and steady reduction will not only benefit your wallet but can improve your health as well."

The savings you generate by reducing your unhealthy spending and reducing future medical bills can be put toward paying down debt and saving for retirement. Or you can spend the money you save on other things that are more enjoyable, such as signing up for a gym membership that introduces you to a community of fellow healthy-minded members.

7. GENERATE EXTRA INCOME

Look around to find ways to make extra money before you receive your next paycheck. Selling things you don't use can generate quick income. "Instead of sitting at home surrounded by all of your impulse purchases with no money, take a day with your accountability partner and try selling goods online," Bargerstock suggested.

If you pursue freelance work, it might take a little longer before the cash flow begins. "I personally have tried freelance writing and taking on multiple jobs at once," Berry said. "But usually, the best place to start is to monetize a skill you already have." For example, maybe family and friends compliment you on your cooking abilities, organizational skills or knowledge of health and fitness. "I truly believe that everyone has monetizable skills — they just haven't tried to be paid for them," Berry said.

Other examples of ways to make money include baby-sitting, walking dogs, cleaning houses and getting a part-time job, Berry said.

8. AUTOMATE YOUR FINANCES

The more you can automate your finances, the less human nature can sneak in and sabotage your goals. This type of sabotage can take a variety of forms, from spending money you had planned to save to accidentally forgetting to pay a bill. If you set things up to automatically pay your bills each month, you won't get dinged with late fees, penalties or interest if the payments slip your mind.

McNamara suggested setting up a system so that when your paycheck arrives, money automatically is transferred from your checking account to a separate savings account at a separate bank. "Seeing a lump dollar figure in a single checking account is too nebulous — we convince ourselves we have enough for whatever that next purchase is," he said. "Once you have automated your savings plan, silos are established and you force yourself to work towards larger goals."

Mehta suggested making automatic monthly contributions to an IRA. "This is a great way to create a disciplined savings program that not only allows for retirement savings, but also curbs the desire to spend what is not available," Mehta said.