

Name _____

Cracking the Code: Strategies to Tame Discretionary Spending

Open-Ended Response Answer Key

1. To create a budget for reducing discretionary spending with a monthly income of \$2,000, I would allocate a specific amount, let's say \$300, for discretionary expenses. This includes dining out, entertainment, and shopping. To stick to this budget, I would:
 - Track my spending: I would keep a record of all my discretionary expenses to ensure I don't exceed the \$300 limit.
 - Plan meals at home: I'd reduce dining out by planning and cooking meals at home, which can be more cost-effective.
 - Prioritize expenses: I would identify which discretionary expenses are most important to me and allocate more of the \$300 to those categories.
 - Avoid impulse purchases: When I feel the urge to buy something on a whim, I'd wait for 24 hours to reconsider if it's a genuine need or just a want.
 - Look for budget-friendly alternatives: If I enjoy entertainment or hobbies, I'd explore options that don't break the bank, such as free events or borrowing items instead of buying them.

2. One time, I was shopping online and came across a flashy new gadget that seemed really cool. It was tempting to click the "Buy Now" button immediately. However, I remembered the advice to wait before making impulse purchases. So, I decided to wait for 24 hours before making a decision.

During that waiting period, I did some research on the gadget, read reviews, and considered whether I truly needed it. After a day of reflection, I realized that while the gadget was interesting, it wasn't something I needed for my daily life, and I had other priorities for my money.

Waiting before buying allowed me to make a better decision by avoiding an impulse purchase that I might have regretted later. It also taught me the importance of taking time to think through my spending choices.

3. One scenario where setting savings goals linked to reducing discretionary spending would motivate me is if I were saving for a dream vacation. Let's say I wanted to go on a tropical getaway that would cost \$2,000, and I had a specific timeline in mind.



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To achieve this goal, I would create a budget that includes a monthly savings target dedicated to the vacation fund. Let's assume I have to save \$200 per month for 10 months to reach my goal. This means I would need to cut back on discretionary spending to free up that \$200 each month.

To impact my spending choices, I would:

- Prioritize the vacation fund: Knowing that my dream vacation is at stake, I'd allocate more funds to the savings category and reduce spending on non-essential items.
- Avoid unnecessary purchases: I'd think twice before making discretionary purchases, questioning whether they are more important than my vacation goal.
- Plan low-cost entertainment: Instead of expensive entertainment options, I'd seek budget-friendly alternatives, like picnics in the park or free local events.
- Stay motivated: Having a clear goal in mind, I'd stay motivated to cut back on discretionary spending because each reduction brings me closer to the dream vacation.

In this way, setting savings goals linked to reducing discretionary spending would give me a strong incentive to make more mindful and intentional spending choices.

4. Answers may vary.

