

Managing Money (WWK17)

Managing finances is a unique challenge for an individual with AD/HD. The major features of procrastination, disorganization, and impulsivity can wreak havoc on finances. Because there is no published research concerning financial issues and AD/HD in adulthood, these suggestions are based upon best clinical practices and the application of behavioral and financial principles. This sheet will discuss:

- clarifying goals and identifying problem areas with money
- organizing financial papers
- curbing impulsive spending and the use of credit cards
- becoming aware of how money is spent
- developing a spending plan and a system to implement the plan
- developing a plan to get out of debt and get into the habit of saving

Clarifying the Vision of Your Life

Every good financial plan begins with a vision of an ideal lifestyle. A vision is a blueprint of a lifestyle that reflects an individual's unique values and interests. Everyone needs money for shelter, food, transportation and clothing. But beyond the necessities for survival, there is also an infinite array of possible items on which the disposable portion of one's income could be spent. For instance, some folks value beauty in their home so they may spend more on decorating and home remodeling than someone who values adventure and travel. Some people may value education more than a new car, while for others it could be the opposite — a person may absolutely need to feel safe and secure and only drive newer cars. Some people may value services like personal assistants, organizers, coaches and therapists more than having the newest and most advanced television or Palm Pilot.

Also, every person has a unique family situation — some are married, some have children to support, some have elderly parents who may need assistance or may provide them with inheritance. Some people have retirements plans provided by their employer, others must save for retirement themselves. Whatever your special circumstances, you will need to clarify your values and how much money you will need to live the life you desire.

There are four purposes for clarifying your vision:

1. It helps you know your unique values.
2. It helps you recognize when your spending is not in alignment with your values.
3. It gives a beginning structure to your budget or spending plan.
4. It motivates you to take the necessary financial action.

There are a number of ways to clarify your vision:

- Take some quiet time to reflect on what you value. How would you spend your day if all of your money woes were magically taken care of? Or, how would you spend your day if you had all the time, money and love that you ever wanted? What type of home would you live in? Where would it be located? What type of furnishings would you have? What colors, textures, and space would surround you? What would you be wearing? What would you be doing with your day? Who would be with you? Just let yourself dream and fantasize this lifestyle. During this exercise, jot down notes to yourself until you get some clarity.
- Make a collage with pictures that depict ideas, scenes, moods, or objects that you desire to have.

Identify Problem Areas with Money

Most people with money problems believe that not having enough money is their primary problem, and are unable to pinpoint their specific difficulties. Upon further analysis, many adults with AD/HD have one or more of the following specific difficulties:

- Bouncing checks, and losing or not paying bills
- Impulsive spending or buying things on a whim

- Being unable to save for big-ticket items such as new dishwashers, vacations, children's college, or retirement
- Losing checks or not keeping track of checkbook balances
- Being disorganized with papers, making it impossible to locate them at tax time
- Large credit card balances
- Procrastinating doing taxes
- Forgetting when the car payment or mortgage is due
- Not earning enough money for survival (financial underachievement)
- Not saving for the future

Establish Short-, Mid- and Long-Term Goals

Once the problem areas are identified, goals for improvement can be set. Individuals with AD/HD need to formulate short-, mid- and long- term goals for improving their finances.

- Short-term goals may include such things as cutting up credit cards, saving \$5 per week, curbing eating out, or keeping papers together.
- Mid-term goals may include saving for a vacation, saving for furniture replacement, or beginning to pay off debts.
- Long-term goals may include saving for college tuition or planning for retirement.

Prioritizing these areas poses a special challenge because successful money management means paying attention to all of them. It is advisable to break down each task into small action steps and incrementally build your confidence until you are attending to the whole financial picture.

Organizing Financial Papers

Many individuals with AD/HD get into financial trouble because they lose money, bills and checkbooks, can't find the necessary papers at tax time, or just don't plan. This disorganization is no different than the general disorganization of an individual with AD/HD. However, if lost, financial papers oftentimes have more serious consequences.

To avoid misplacing or losing financial papers, have a special spot in the house where all financial papers can be stored. This can be a file cabinet, desk drawer, special box, large plastic envelope, or a large basket. This central location should be near where the mail is opened, and may also house a calculator, stamps, envelopes, and anything else needed for paying bills.

Daily Mail Routine. It is often helpful to develop a daily routine for opening the mail in a timely manner, particularly money papers. This means that when the mail arrives and is opened, money papers are immediately separated from the rest of the mail and placed into the special container. Money papers include checkbooks, bills, bank statements, legal papers, insurance papers, checks to be cashed, and extra checks. Anything that has a designated account number is important and needs to be immediately separated from the remainder of the papers.

Files with Dividers. Dividers with file names such as *home-related*, *grocery*, *gifts*, *utilities*, *bank statements*, *personal*, *car and fuel*, *hobbies*, and *insurances* can be placed in the container. These file names should reflect your lifestyle and should be kept simple. Some people find it helpful to color code or label files that are needed at tax time. A sophisticated filing system is not necessary at first — at the very least gather the money papers in one spot. Over time, this organization will become routine. Consult the What We Know sheet entitled, "A Guide to Organizing the Home and Office," for more organizational tips.

Paperwork Flow System. A "paperwork flow system" may also be helpful. This is a system in which all the money papers "flow" to one central location. For instance, "temporary holding tanks" are designated in the wallet, purse, planner, and car, which hold money papers and receipts until they can be placed in the special money location. These temporary tanks can be clear plastic envelopes, fancy shoeboxes, plain

envelopes, or even more simply, a special spot in the wallet for receipts. Once a month or so, these papers can be transferred to the central location.

Curb Impulsive Shopping

Impulsivity, one of the hallmarks of AD/HD, can lead to financial difficulties. Impulsive shopping and spending is defined as any purchase you did not plan to make when you left the house that morning, any purchase that is not a part of your budget, or any purchase that you don't need. For an adult with AD/HD, this spending happens spontaneously and without warning. Here are suggestions for curbing impulsive spending:

- Put an interruption between your money and the urge to spend it. Avoid credit card use and ATM machines. Don't carry your checkbook with you. Consider having another signer on your checking account or not carrying extra cash.
- Avoid temptations. Identify and stay away from problem areas such as malls, favorite stores, arts and crafts shows, online Web sites, home shopping channels, and newspaper circulars. Throw out catalogs as soon as they arrive.
- Bring a list when shopping, and stick to it. Before you go to the store, call a friend and commit to your shopping list. When you are done, call them again to report that you have adhered to your list.
- Bring a calculator to the store to add up purchases as they accumulate.
- Wait a certain number of hours before a purchase. If this time elapses (say 24 hours) and you decide that you still want the purchase and have the money to buy it, then go and buy it.
- Find fun hobbies or things to do that are free or inexpensive. Shopping shouldn't be the main pleasure in life. The world is filled with a vast array of stimulating activities for an individual with AD/HD to do. Explore neighborhood museums and libraries, attend local lectures, join support groups or clubs, visit public parks and learn about nature, or participate in sports. Every community has free concerts and live performances. Seek them out.

Cut Up Credit Cards

Credit cards promote impulsive spending; they are easy and convenient to use and very damaging for a person who has a hard time prioritizing financial commitments. The average person spends more when using a credit card rather than cash. If you have large balances on your credit cards and don't remember what you purchased, you would probably be better off without a credit card. Write to the companies and close these accounts even if there are balances to pay off. Credit cards and the debt that can easily accrue can take a person in the wrong financial direction. Balances build up rapidly from interest, late payment fees, and over the limit charges. This accumulation will rapidly turn small purchases into very large expenses. Paying only the minimum amount due on a large credit card debt means it could take 30 years to pay off the entire balance. If you are in the habit of not paying off credit card balances, the next time you use your credit card, ask yourself if you love the purchase enough to pay for it over 30 years?

More Suggestions for Dealing with Credit Cards

- Until you are ready to close your accounts, have a trusted friend or loved one hold your card. Writing a check to the credit card company immediately after making a credit card purchase is another temporary solution until you are ready to cut up your card.
- You can also place a sticker on your credit card that symbolizes some aspect of your vision. This way, when you pull out your credit card, you will be reminded of your longer-term goals, and possibly pause long enough to ask yourself if this purchase is necessary.
- Some individuals have even kept their credit cards frozen in an ice tray. By the time they defrost the credit card, the urge to make the purchase has often dissipated.

Keeping Records: Becoming Conscious of Where Money is Going

The next step is to keep track of where the money is going. Carry a little notebook and begin to keep track of all purchases. Record even small

purchases, such as \$.30 for the parking meter or \$1.39 for a coffee. Other systems, such as a Palm Pilot, a calendar, or an extra checkbook register, may suit you better.

Successful money management demands that you be able to *account* for your money. Keeping a record of purchases helps curb impulsivity and serves as an indicator of whether you are spending your money where you want to be spending it — toward the things you love, and toward your vision and values. As spending is tracked, certain categories will naturally emerge. These categories are different for each person, but the main categories for cash include parking, groceries, restaurants, snacks, vending machines, coffee shops, books, gasoline, clothing, newspapers, cosmetics, household items, donations, and hobbies. As you continue to record your spending, you will no longer have to wonder where all the money goes.

It may be difficult for adults with AD/HD to write down all of their expenses, but do the best you can. Try keeping track of expenses for one week or several weeks at first. Enlist the help of a spouse or a trusted friend in writing down all expenses. Try dictating them into a small hand-held recorder or using a cell phone to record expenses as messages on your answering machine. Even if you do not keep a perfect record of every expense, the records that you do collect will help you move forward in changing your money management habits.

Determining Expenses and Developing a Spending Plan

Collecting records of all spending paves the way for the creation of a spending plan. A spending plan is like a budget. It involves allocating a certain amount of money each month for each spending category in your life. Follow the steps below to develop a simple spending plan. Spreadsheet software can be helpful in developing a spending plan.

- Make a master list of all expenses. Gather these figures from checkbook records and credit card statements from the past 12 months.
- Sum all expenses from the past 12 months and divide by 12 to get the monthly total expenses. For weekly expenses, multiply them by 4.3 to get the monthly amount (there is one third of a week extra per month). It is easier to construct a spending plan monthly rather than annually since most utilities and installments are paid monthly.

One secret to healthy financial management is to plan for all expenses every single month. For instance, many people with AD/HD have difficulty remembering that the insurance bill is due in 2 months so they impulsively spend or splurge on the latest electronic gadget or a vacation. The impulsive, live-in-the-moment lifestyle of the individual with AD/HD makes it difficult to remember upcoming expenses. The spending plan or budget can help keep these upcoming expenses top of mind, and ensure that they are planned for every month and not forgotten.

Some suggestions for this:

- Use an envelope system. Label a series of envelopes with the names of the major categories of budget items. Upon receiving a paycheck, cash it and place the amount of money allocated for each category in the proper envelope. Whenever an expense needs to be paid, withdraw money from the appropriate envelope. When there is little or no money left in a given envelope, you will know that you have spent the allocated amount for that category and can stop making further purchases in that category until you receive the next paycheck. Using an envelope system ensures that the proper amount for necessities is available when they are due.
- Record every monthly expenditure in your checkbook at the beginning of the month so you will know when they are due. It may be helpful to eliminate paper and arrange for utilities, car payments, and house payments to be automatically withdrawn from a bank account.
- Special accounts: Open a special bank account for large ticket items and fluctuating categories such as vacations, car repair, clothing, home repair, and replacements, and make a monthly deposit to this account.
- Sudden expenses: If you are consistently faced with sudden

unexpected expenses such as car repairs, dental and medical emergencies, roof leaks and other household problems, then open a special account for these sudden “emergencies.” Remember, most cars break down, teeth need repair and homes need maintenance. They are a predictable part of life so plan ahead for them.

- Calendar system. Use a yearly calendar to track financial obligations exclusively. Individuals with AD/HD find it helpful to have a visual reminder of their financial obligations. At the beginning of each month, record all incoming money and also all major financial obligations for the month such as rent, utilities, insurances and payments due. After these are filled in, fill in other allocations such as groceries and fuel, because these are also necessary expenses. In doing this, it is clear at the beginning of each month what your obligations will be. Refer to this calendar daily. Some persons also find it helpful to record the expenses that will be due later in the year.

October 2003						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1 Mortgage -\$657 Car Paymt -\$328	2	3 Pay check +\$900	4 Fuel -\$20 Groceries -\$80
5	6	7	8 Electric -\$27.43	9	10	11 Fuel -\$20 Groceries -\$80
12	13	14 Cable bill -\$63	15 Phone bill -\$29.15	16	17 Pay check +\$900	18 Fuel -\$20 Groceries -\$80
19	20	21 Cell -\$47	22	23	24	25 Fuel -\$20 Groceries -\$80
26	27	28 Car Ins. -\$85	29 Visa Paymt -\$300	30	31 Pay check +\$900	

Paying Off Debts

As stated earlier, success with finances demands the elimination of debt and the prevention of new debt. To pay off debt, make a list of all debts that includes credit cards, as well as outstanding debts to doctors, dentists, friends and family, and loans from 401K plans.

Make a chart like this so you can see your total debt:

Creditor	Total Balance Due	Payment Due Date	Minimum Payment	% Rate

If you are in serious debt, this may be an emotionally painful task. Do it anyway. Talk with a trusted friend or therapist to help deal with the emotional pain. Call creditors to ask for a lower percentage rate or reduced late fees. Arrange regular payments with creditors and stick to the plan. Do not promise more than you can realistically pay. They are less likely to cooperate if you don't keep promises or stick to what you have agreed to pay monthly.

Savings

The savings habit should begin immediately, even if it means starting with a piggy bank and making weekly deposits of small amounts, even \$.50 or \$1.00. No matter how high the debt load, a savings habit needs to be developed. Start small, and be patient with yourself as you learn this new habit. There are different purposes for saving money:

- Short-term expenditures: These include items like a new refrigerator, a vacation, or insurance payments due annually or semi-annually.
- Mid-term expenditures: These include children's education, a down payment on a new car, or the purchase of a new home.
- Long-term future savings: These include retirement. This type of savings is especially difficult for an individual with AD/HD to conceptualize because there is no need in the here and now to be saving. Nevertheless, the day will come when you'll need this money to live on.

The solution for all of these savings needs is to make saving money fun and visual. For instance, some people find it helpful to use a cute piggy bank for certain expenditures; others find it helpful to use an envelope with a photo of whatever you are saving for glued to the outside. You can also open a special bank account for a particular goal and have automatic deposits taken from your paycheck. If necessary, open this bank account at a different bank — across town so you'll be less tempted to withdraw from it. Some also find it helpful to make a visual thermometer or graph as they save money for special occasions.

Find Support and Incorporate Other Resources

Some people may be able to implement the suggestions given here on their own. Others may need the assistance of a friend, therapist, or coach. See the What We Know sheet on coaching for more information. An individual providing support can help the adult with AD/HD make budget categories and monitor and regulate spending. Those individuals who take medication should make sure that their medication is active in their body when they are working on financial tasks. See the What We Know sheet on managing medication for more details.

Putting Money Management on a Timeline

To manage money effectively, it is necessary to organize the ideas in this information sheet on a timeline. Below is one example of such a timeline, which specifies tasks to be done daily, weekly, monthly, and yearly. The approximate amount of time it might take to accomplish each task is also listed. The reader should create a similar timeline that is customized to his/her own circumstances.

Daily

- Place money papers in one central location. (less than 5 minutes)
- Open and sort bills. (5 minutes)
- Record spending. (less than 5 minutes)
- Review vision and budget if over spending. (less than 10 minutes)
- Keep a daily account balance on checking accounts. (less than 5 minutes)
- Resist impulsive spending.

Weekly

- Pay bills; write checks and mail them; mark date paid and move paid bills to folder marked “PAID.” (10-20 minutes)
- Review expenses for the upcoming week. (5 minutes)
- Go to the bank; deposit checks and withdraw needed cash for the week. (20 minutes)
- Add up weekly spending, especially in problem categories. (10 minutes)

Monthly

- File “PAID” bills into appropriate files. (5-10 minutes)
- Reconcile bank statement. (30 minutes)
- Compare actual income and spending to budgeted allocations. (5 minutes)
- Assess areas of overspending.

Yearly

- Collect money papers for tax preparation. (1 hour)
- Create a financial vision for the upcoming year. (30 minutes)
- List large expenses for the next year. Assess necessary repairs, clothes needed, major gifts, and travel. (10 minutes)
- After tax preparation is complete, box up money papers, label with appropriate year, and put in storage. (30 minutes)

Summary

It is possible for an adult with AD/HD to be a successful money manager. In this sheet, the task of managing money has been broken down into a number of steps, and suggestions have been given for carrying out each of these steps. It is crucial for the adult with AD/HD to plan time in their daily and weekly routines to implement these steps, and to seek out the support systems necessary for bringing these steps to fruition. Because money is a daily event, some action is needed every day. If consistently applied over time, these suggested techniques will help the adult with AD/HD improve his/her money management.

Suggested Resources

- Dominguez, J., & Robin, V. (1992). *Your Money or Your Life*. New York: Penguin Books, Ltd.
- Mundis, J. (1995). *Earn What You Deserve*. New York: Bantam Books.
- Mundis, J. (1988). *How to Get Out of Debt, Stay Out of Debt, and Live Prosperously*. New York: Bantam Books.
- Tyson, E. (1995). *Personal Finance for Dummies*. Foster City, CA: IDG Books Worldwide, Inc.

Web Sites

- BudgetMap
- My Budget Planner, Inc
- Practical Money Skills for Life
- Personal Budgeting
- Personal Budgeting and Money Saving Tips
- Debtors Anonymous

The information provided in this sheet was supported by Cooperative Agreement Number R04/CCR321831-01 from the Centers for Disease Control and Prevention (CDC). The contents are solely the responsibility of the authors and do not necessarily represent the official views of CDC. It was approved by CHADD's Professional Advisory Board in August 2003

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