

INACCESSIBLE MONEY

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I have often arranged my finances so that my money is inaccessible. Being inaccessible, means that the money is not easy to get to. Inaccessible money forces me to think more carefully about whether I really want to make any particular expenditure. . Let me explain what I mean by inaccessible money and how it works.

Generally whenever I have money in my checking account, there is a lot of temptation to spend it. I look at the balance which I might have just increased from my latest paycheck or draw from my business. With money in my checkbook in hand it is very easy to find something to spend the money on. The decision goes from “I would like to buy this” to “Gee, I have this money in my account” to “It won’t decrease the balance too much if I buy this”. The problem with this train of thought is that it is very easy to go through this scenario often. Usually people are out of control financially due to a lot of small frivolous expenditures. Rarely does one large purchase break the bank, so to speak. The money just seems to disappear and they have nothing important to show for it.

By making the money inaccessible, you introduce a step into the buying decision. It works like this. When you get your paycheck or take your draw, instead of putting the money into your checking account, deposit it to your savings account. This will leave your checking account with a minimal balance. Then when you’re out & you see something you might want to buy, the process goes as follows: “I would like to buy this” comes first. “Gee, I don’t have the money in my account to buy this now” “Do I really want it?” “If I do, then I have to go and transfer money from my checking to my savings account which is a lot of work” “Maybe it’s not that important to me” “I think I’ll pass on it for now”. By keeping a minimal balance in your checking account, you are more likely to think twice about whether you really want to buy something. You’ll look more closely to see if the item is really important to you and really worth the effort. Making the money inaccessible can help you avoid getting some of the impulse stuff that really doesn’t matter but is hard to say no to.

Another way to make money inaccessible is through your savings and lines of credit. It seems that every investment account, home equity line of credit, and credit card seems to come with “free checks” these days. They want you to use these checks “the same as cash” so that you will use the money. However, if you have checks what usually happens? The checks get used. You spend your investment savings. You borrow more on your line of credit or credit cards. More debt. Negative savings. Is this what you really want, or is it just the easy way out? By getting rid of the checks, refusing them, you make your money more inaccessible. If you really want it, you can still get it. But now instead of impulse spending, you have to consciously make the decision to get the money. Hopefully, this will allow you more time to think about whether the item you want to buy is really important. It’s about prioritizing your spending.

Also, if you are just setting up a savings account to put new money in, consider getting an account at a bank on the other side of town. Ideally, you should be able to mail deposits to this bank, but if you want the money, you have to get in your car and drive a distance to withdraw the funds. This will also give you more time to decide whether the effort is really worth it.

Very often the difference between good savers and poor savers is in the small things. The good savers say no more often to the impulse purchases than the poor savers. Even cutting back 10% on impulse buying can allow you to save meaningful amounts of money into your investment accounts over a long period of time.