The easier the method of payment, the more consumers tend to spend. You can pay for purchases with cash, debit cards, credit cards or a check. Which do you choose?

Research shows that how you pay has an effect on how much you spend. If you pay with cash, you spend 12 to 18 percent less. It is simply hard to count out that long green, so we spend less. The pain of paying keeps us from spending more. Those that pay by check spend the next lowest amount, followed by debit cards. The easiest way to spend money is with our credit cards, resulting in more being purchased if we are paying with credit cards.

Now along comes the new contactless payment, which is so easy we don’t even feel like we are spending. You may know it as a wave or swipe, but all work exactly the same.

I recently saw PayPass in action and was amazed at how quickly it tallied up the bill and charged it to a phone. So, I found this information on LowCards.com concerning contactless payment and how it is working for both the consumer and the retailer.

A study released by MasterCard shows that consumers may spend up to 30 percent more with the new contactless payment methods than they do with credit cards.

Contactless payments take place with credit cards or smart phones that have chips implanted with radio frequency identification, commonly referred to as RFID. Consumers simply “wave” the card or smart phone over a payment terminal rather than having to “swipe” the card through the terminal.

Contactless payment methods are becoming more common. Visa has recently introduced PayWave, MasterCard has PayPass and American Express has Express Pay. The MasterCard study predicts 150 million mobile devices will be contactless enabled within the next few years.
This research studied consumers’ habits before the new payment method was introduced. They divided consumers’ accounts into low-, medium- and high-spend segments based on their monthly spending habits prior to introducing the contactless payment methods. The 30 percent increase in spending was consistent across all three segments of consumers.

The study also found that after the first contactless transaction, users spend an average of 25 percent more online, 64 percent more abroad and 20 percent more in recurring payments.

While this increased spending may be good news for banks and retailers, contactless payments can be dangerous to the household budget. You can now make a purchase with just a wave of your phone without a thought about how much the purchase really costs. It could make it too easy for some people to buy something spontaneously or throw a few more items into the shopping cart.

Making good spending decisions takes analysis and discipline. We probably need to feel the pain of money leaving our bank account to help us evaluate if we can afford it and if we really need it. Here are some tips for making a contactless payment:

- Remember that the rules of credit cards and debit cards still apply. If your account runs through a credit card, pay it off completely on time each month.

- If you can't afford to pay cash for it now, you can't afford it with contactless payment.

- Responsibly using contactless payment takes discipline. Think about every item you purchase as if you are paying cash. Write down each purchase in a notebook so you can keep track of where your money goes.

Contactless payment is just one more method to increase your spending. It is convenient, but don’t let the ease of payment lull you into spending more than you can afford.

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