

Money Minute
Newsletter

April 2021

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Lifestyle Creep?

Signs you may have it, and how to avoid it...

Do you rely on credit cards for regular expenses or have trouble saving money? If so, you may be experiencing “lifestyle creep”.



Lifestyle creep is the gradual increase of your spending as your wage increases. You get a raise, so why not buy that new pair of shoes? Maybe you can even afford a more expensive apartment? You can finally get that fancy car you’ve always wanted! This is the type of thinking that

can get you into trouble. Before you know it, you’re paying for a house that’s too big, a truck you don’t need, and gym membership you don’t use.

Earning more money as you advance in your career is a great feeling. But managing a growing income comes with its own challenges. When you earn more, it can be tempting to spend more, too, and that means less money going into savings and investments. As a whole, Americans aren’t good at saving for retirement. We put off saving today and, instead, defer it until tomorrow. But the cycle simply repeats again. If you don’t have anything left at the end of the month to contribute to your savings or retirement accounts, then it’s probably time to evaluate your spending habits.

You don’t want to wake up one day and realize you have a ton of credit card debt, and be unable to recall how or when you spent all of your hard-earned money. This is exactly why you need to curb your lifestyle creep before it gets out of control.



redwood
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agency

Contact Us

REDWOOD COMMUNITY
ACTION AGENCY

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RESCUE

904 G Street
Eureka, CA 95501

Christine Driscoll
707-269-2016
cdriscoll@rcaa.org

www.rcaa.org

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SIGNS YOU MAY HAVE LIFESTYLE CREEP

Have trouble saving money
Put everyday expenses on credit cards
Feel you have to outspend friends or family members
“Treat” yourself when you get a bonus or pay raise
Take extra vacations
Upgrade your car or apartment when not necessary

A FEW TIPS ON AVOIDING LIFESTYLE CREEP

Get Clear on Your Goals

- Write them down
- Make them specific
- Give them a time line for completion

Evaluate your purchases

- Do they align with your values?
- Are there any you regret?
- Do your purchases bring you closer to your goals?

Save First, Spend Later

- Automate portions of your paycheck to savings, retirement, or investments before you spend on extras

Build a Budget

- Avoid Impulse Spending
- Give every dollar you earn a job by using a **zero-based budget.**

What is Conscious Spending?

Conscious spending is a mindful money habit that encourages you to think critically about all of your purchases, making sure you really need (or *really* want) whatever it is you are thinking of buying, and making sure if you do buy something it is at the best possible value you can reasonably get. The more often you say “no” or find ways to spend less, the more savings you end up with. So whatever your goal is -- saving for retirement, building an emergency fund, paying down debt — by focusing on the spending you are more mindful of your hard-earned dollars than if you were just focused on saving alone. Click **HERE** to learn more.



Impulse Spending

Managing wants vs needs

We've all done it – walked into a store or seen something online and just feel we have to have it. Before we know it, we've bought it. At first, we feel good. Only later we discover that we don't really need it, or used money we don't really have or isn't in our budget. Before long, we experience buyer's remorse and feelings of unhappiness. Over time, **impulse buying** could mean bad news for your wallet. [Click **HERE** for a short video.]

If you consistently ignore your budget and give in to every tempting purchase (there can be so many!), you run the risk of getting yourself into credit card debt, negatively impacting your credit score or not being able to contribute to your financial goals, such as an emergency fund or retirement savings.

Ultimately, an easy way to tell if a purchase is impulsive is to ask, "Did I plan to buy this, or did I get the urge to buy it just now?" If you didn't plan to buy it, you're probably experiencing an impulse buying urge. By putting that product back on the shelf and refusing to purchase it, you're doing something to help yourself. You're rejecting the idea that by purchasing that product you'll be happier, better respected, or more complete. In so doing, you'll not only get to keep more of your money, but you'll become a smarter consumer and possibly a happier person.

Take action today with these four steps to use a budget to stop impulse spending and avoid impulse spending to save money for your future:

1. Get to the bottom of your impulse spending habit

Ask yourself why you want to buy this item. Impulse buying is often tied to an emotional urge.



2. Include discretionary spending in your budget

One way to avoid impulse spending to save money is perhaps a surprising one: Give yourself permission to spend a little on “fun stuff.” Making financial room for fun is a way to use a budget to stop impulse spending because it allows you to know your budgeting limits without feeling deprived.

3. Consider your payment method for discretionary expenses

Swiping a credit card may not feel like spending “real money” in the moment, but you always have to pay off your balance later—and sometimes with interest.

Instead of swiping your credit card for discretionary expenses, consider going a different route. A cash [envelope budget](#), for example, can be a great method to avoid impulse spending to save money. This involves withdrawing your full spending budget in cash every month and divvying up the cash into one labeled envelope for each budget category. That way, you can spend on impulse without spending beyond your budget.

If cash is not your style but you still want a break from credit, you can [build good money habits with a debit card](#).

4. Set rules for extraneous spending

If you’re determined to avoid impulse spending to save money, try giving yourself some spending parameters.

One strategy is to always give yourself a 24-hour waiting period before making any significant purchase. The waiting period will help you determine whether you really need the item. If you’re still thinking about it after a full day and it aligns with your values, it may be worth fitting it into this month’s discretionary spending budget.



Thanks for reading!