

LIFESTYLE INFLATION CAN BE A BAD THING



Summary: Spending money just because you have it after a raise or promotion is not wise when you aren't saving just as much.

We are all guilty of **indulging our lifestyle after receiving a raise**, promotion, or bonus. We go buy a fancier car even though our previous one worked just fine. Lifestyle inflation is when we upgrade our lifestyle based on our income even though our previous lifestyle worked just fine.

You are probably wondering why this is a bad thing. It is perfectly acceptable to upgrade your lifestyle when it is needed, say you had a studio apartment but now have a family so you need to upgrade the number of bedrooms. However, **upgrading more than you are saving** will not help your long term progression.

We never want to think it will happen to us but **unexpected financial struggles** can come along. You may lose your job, build medical bills, or have other emergencies that require you to have a bigger savings plan over a nicer car. Here are some tips to help you inflate your lifestyle wisely.

- Save half of your raise. You are used to spending the money yet so it will be easy to put half of it aside and use the other half to treat yourself.
- Pay yourself first. When you put that money aside first, you can't spend it. Put it aside even before paying bills so that there is less temptation to touch it.
- Don't relate success to material belongings. Instead of obsessing over buying new things, think about buying experiences or items that can make time with friends and family more special. This can be camping gear so that you can spend more quality time with family or a trip to the Grand Canyon.
- Look at your friends. When you are friends with people that spend money like crazy, you will be inclined to do as well. While we are not suggesting you drop your friends just because they spend money, consider finding some friends that have your same goals to also spend time with.

Photo: money.usnews.com