

## Lifestyle Check

Lifestyle inflation is the increase in the amount expended by a person to support their needs. Lifted from the economic concept of inflation in commodities, with lifestyle inflation, a person spends more and more for the same need as he progresses in life. From a generic pair of shoes, to Nike, to Italian leather oxfords. From PB&J, to Subway, to gourmet breakfasts. Lifestyle inflation per se is not necessarily evil. After all, we work hard so we deserve something better, right? Totally agreed. It's just that lifestyle inflation takes a dangerous turn when the rate of our increase in spending substantially differ from the rate of increase in our income.

Say, you got a raise of \$200 starting next month, so in honor of your accomplishment, you decide to ditch your instant coffee for some daily Starbucks for \$5. For easier computation, in 4 weeks, you spent \$160 on coffee. Okay, let us subtract your previous cost on instant coffee of \$30, thus giving us a save of \$140 on coffee expense. It is still within budget. But did you upgrade just your coffee? You could also have rewarded yourself with a weekly spa, a new membership in the gym, etc. – All obliterating your income increase.

Lifestyle inflation has been cited by personal development coaches as one of the obstacles for maximizing one's potential. As earlier illustrated, if the inflation is not controlled, it wreaks havoc on finances. A messed up financial life equals serious troubles in other areas. So before we get into serious trouble, here are ways to keep the inflation at a slow incline.

First, wedge your salary increases. Renowned speaker Brian Tracy in several of his books espoused wedging salary increases, bonuses, and other extra income that comes your way. This means that for every increase you get, set aside a chunk of it for savings to be forgotten until a genuine financial need arises. The rest of the increase can be used to upgrade your needs. You reward yourself but not at the expense of your future and networth.

Second, do not count the chicks while the eggs are not hatched. Often, we overflow with optimism that we start spending our future income on "sure close" deals or "I got it in the bag" pipe. But they fizzle out. The old adage that too much of something is bad is true. So while you hope for the best, plan for the worst. Do not live the life you cannot afford yet.

Third, stop keeping up with the Joneses. Stanley and Danko's "The Millionaire Next Door" revealed that most millionaires do not necessarily have the best of the luxury items the world can offer. In fact, most lived in middle class neighborhoods and drove reliable Fords. You have a choice. Do you want to look rich or do you want to be rich. Do not purchase products or acquire services just because it is the hype, or because so-and-so already has it.

Fourth, and more importantly, know what your need is. This is connected to the preceding suggestion. For example, you've been wanting a BMW badly you would work 18 hours each day for weeks on end. But take a step back. What about a BMW do you want? Is it because you need a means of transportation? Is it because the rest of your social group has it? Is it because it will get you more clients for your practice? This is not saying do not buy the BMW. Just know the reason for your need, a means of transportation, acceptance, a strategy to increase income. Then make a proper decision.

We all envision ourselves decked in better garments, lounging in better homes, living a better life. Hence, lifestyle inflation is normal. As we upgrade, keep moderation in mind. View your lifestyle from a higher perspective, seeing how it interplays with other aspects of your life. Living a great life costs less than we compute it to be.