KEEPING UP WITH THE JONESES

THE BAD HABIT THAT COSTS YOU

There's a quote that says, ***"Money can't buy you happiness, but it can buy you a yacht big enough to pull up right alongside it."***

True if you've got ***that*** sort of money. For the rest of us, our discretionary spending is usually travel, clothing, gadgets and cars – the kinds of things that make ***us*** happy.

Australian Bureau of Statistics (ABS) data suggests that consumer spending is influenced by job security and economic factors like interest rates and inflation.

Favourable economic conditions certainly lead to consumer confidence and substantially affect how much discretionary income is available.

However, are you aware that our spending is also often related to our emotions?

How often do you read statements like:

"Be the envy of your friends"
"Don't miss out" (The FOMO factor)
"Available TODAY ONLY"?

We live in a world where we are expected to keep up with the Joneses. Every time we turn on the TV, Google something or jump on socials, we're bombarded by sales, offers and images of what others have or do.

Social media marketers can be your financial enemy…

Given the lucrative advertising deals these influencers achieve for themselves, plenty of us are making purchasing decisions around the sites we follow.

Today's online influence is pestering us with advertising that makes it too easy for us to lose control and then find ourselves in debt!

Unlike Yacht-guy from the quote, our finances are generally limited, but there are ways to ensure we stay in control of our finances.

That 'B' word again – Budget

Yes – we have heard it all before, but with increasing mortgage repayments, this has become more of a necessity – NOW more than ever! It is time for all of us to make a budget and stick to it. Sure, it's not fun but it's a time-proven technique for keeping your spending under control. It is also going to be an important requirement for those who will be coming off those low fixed interest repayments in the next one to two years.

Be realistic though and allow yourself some spending money. Just make sure you don't splurge beyond your affordable amount.

Contact us for the excel spreadsheet from moneysmart.gov.au to help you create your own affordable budget.

Revisit how you use debit and credit cards

There is one thing millennials actually do well – use a debit card instead of a credit card as they only like to spend money they have in the bank.

In fact, only 41% of millennials own a credit card compared to two thirds of their older generations. Many of them, however, do use Buy Now Pay Later (BNPL) methods of payment as a way of purchasing their unbudgeted items.

It's wise to avoid those Buy Now Pay Later schemes. They are so easy to arrange and you can build up quite a debt without realising it! Most importantly, if not managed well, it can affect your credit score and borrowing capacity.

Debit cards on the other hand, can be linked to a bank account or loaded with cash. Either way you are using your own money not the bank's, meaning you can't spend what you don't have. There are also no interest penalties!

So if you feel you are living beyond your means take a look at your spending habits and work out what will suit you best. Sometimes just changing one or two spending habits can make a huge difference.

Consider payment plans to help you budget for those expensive annual bills

Most utilities and insurance companies allow you to set up regular payment plans so you pay a set amount each period. You'll always know what you're up for and it's paid automatically. Your gas or electricity provider can help get you started. It is a great way to help you understand your monthly budget as well and decreases the annual bill shock.

You should enquire if the monthly payments are loaded with additional charges and if so make sure youo can budget for them. You will need to decide if paying monthly (and perhaps a little more than paying annually) is more manageable and more suitable for you before taking action.

Avoid social media

Have you ever noticed how after Googling, say camping equipment, suddenly you're seeing advertising for tents and camp-stoves?

Algorithms embedded in the internet record our searches to help advertisers target us through social media.

We get it – it's tough to avoid social media, but if you're susceptible to targeted online advertising, you may need to limit your exposure to it – at least for a while.

Pause

Avoid the temptation to impulse buy. Also, don't shop when you're feeling down.

Advertising is designed to appeal to our need to fit in, to keep up with our friends, to make us happy or to show off. Things you want to buy, but don't necessarily need, may simply be status symbols. Before you whip out the plastic, ask yourself if a handbag with an Italian label is really worth months on a repayment plan or a whole week's salary?

If you think you're going to struggle with any of our suggestions, please read our case studies on **'Can YOU break the 'pay to pay' cycle?'**

As always, before doing anything you do not understand and before making dramatic financial changes, please obtain professional advice with those qualified to provide guidance on any financial decisions you are wanting to make.

As for that quote about happiness and huge yachts, those words were courtesy of 80's rockstar David Lee Roth.

Since most of us never scaled those dizzy heights, we'll just have to take his word for it.

Sources:

finder.com.au Australians' household debt nears highest worldwide (Updated Jan 19 2021)
finder.com.au Spenders vs savers: The money mindsets of Australians revealed (Posted 4 January 2021)
finder.com.au 9 of the best affiliate programs for making money in Australia (Posted 2 November 2021)
moneysmart.gov.au Managing your money (Online publication)
How Millennials Manage Money – AlphaBeta report

Make sure you read our article **'Can YOU break the 'pay to pay' cycle?'**

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