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Is Lifestyle Creep Limiting Your Wealth?

Imagine you have just gotten a raise at work. You're probably thinking about how you can afford that big purchase you've been wanting, or how you can finally go on that nice vacation.

That trend has a name: lifestyle inflation. And though it's not always a bad thing, it's important to know what it is and when it can start becoming a problem.

What is lifestyle inflation?

Lifestyle inflation, also known as lifestyle creep, refers to the tendency to increase your spending the more money you earn. In other words, when you have a bigger paycheck, your way of living also becomes more expensive.

How can it hurt your finances?

If left unchecked, lifestyle inflation can quickly have you living paycheck to paycheck despite earning more. In some cases, people end up less financially stable and secure than before.

If you aren't putting money in your emergency fund or your retirement savings despite making more money, it might be time to take a critical look at how lifestyle creep is affecting your finances.

What can you do to manage lifestyle inflation?

- **Recognize areas where lifestyle creep is affecting you most.** Evaluate your income and your spending. How have these categories changed over time? For example, it may have become the norm to buy more expensive groceries, when you used to budget more carefully.
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- **Set spending priorities.** Concrete amounts for bills, savings and fun purchases can help separate needs from wants and keep lifestyle inflation in check.
- **Think about the future.** What are your long-term financial goals? Your spending may need to be reevaluated as you work toward those goals.
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Earning more money is not a bad thing. But it is important to keep your long-term goals in mind — an expert financial planner can help you make a plan to build your wealth over time.

Helping clients get back to the basics of building and maintaining wealth in a tax efficient way.



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