

Next 10 Years

Payday can be the best part of the week. Most people see payday as a financial reload; a time to splurge at the mall, order take out, or just drop a little extra cash at Target. If we work for two weeks then surely we can reward ourselves, right? Everyone is guilty of using payday as an excuse to spend a tad more than they normally would, and this is alright if there is so much disposable income. For the rest of us, however, we need to be cognizant of how we are spending our money.

Something that many people, especially young, are guilty of saying is that everything is a need. "I need Starbucks, I need the new trendy shoes, I need the new iPhone." These things that everyone thinks they need, are actually doing nothing for them day to day. This is when we have to distinguish between our needs and wants.

When budgeting and deciding where the money we have worked so hard for is going to go, it is best to put some thought behind the action. Realizing that there is a difference between items we need and items we want, is the first step in budgeting. A few things we need included in our needs are making bill payments, insurance, gas, groceries, and other day to day expenses. Not only does this category include things we need to live, it could also include ways to set up our futures or improve our quality of life. This subsection includes retirement plans, savings plans, and new material items when it is absolutely necessary. Our needs are what we should be deducting automatically from our paycheck to assume a new take home pay.

The second part of the need versus want way of thinking is, of course, the want. It's natural to think that when we really want something, it becomes a need. This is simply not true. Items that are commonly mistaken for needs include streaming and unnecessary subscriptions, cafe bought coffee, new clothes, or even as drastic as an upgraded car. Consequently, these items begin to kill a budget and stunt the growth of saving and investing.

After the division of need and want has taken place, prioritizing comes into play. Do we want to prioritize paying off a loan, or take the chance to create an emergency fund? If there is not extra money in the budget, should we pay the minimum credit card balance or cut out Starbucks for a couple weeks and make coffee at home? This is where we have to decide which is smarter, safer, and better in the long run. In both cases it would be best to build an emergency savings and cut out some wants to fulfill the needs.

I plan to use both of these budgeting tactics over the next ten years, and then on. Starting early, being able to pinpoint what is worth my hard earned money and what is not will set me up for financial stability sooner rather than later. The best way to handle finances is to have a base knowledge on how our money is spent. It becomes clear to see that acting upon wants impulsively can leave someone living paycheck to paycheck, with no savings, and in debt. The need versus wants strategy has already become present in my finances and has already helped me create a college savings fund. With this, I will continue to prioritize paying for school and working towards my financial goals in the next ten years and into the future.