

PEAK FINANCIAL ACTIVITY 2a: Needs vs. Wants and Living Within Your Means

The biggest challenge in managing money is controlling your spending. It's tempting to buy things that seem attractive or important, but many of them are not necessary. "Living within your means" is all about deciding what to spend on NEEDS and WANTS.

The basic needs honored in society are Shelter, Food, Health, Clothing, pretty much in that order. Do you *need* a television? A cell phone? Expensive tennis shoes? Consider these carefully and use the "Depression" test: would your grandparents or great-grandparents, living during the Great Depression of the 1930s, have prioritized everything on your needs list?

A need keeps you alive. A want makes living more pleasant. Marketers want you to feel a need to buy their products and make that purchase. Learning to make a distinction between a need and want can enhance your wealth. By keeping your expenses low and more focused on your needs, you will be able to create room in your budget for saving toward larger goals.

Understand the difference between Needs and Wants

Check only the NEEDS in the following list:

- | | | |
|---|--|---|
| <input type="checkbox"/> Rent | <input type="checkbox"/> Tires | <input type="checkbox"/> Jewelry |
| <input type="checkbox"/> Groceries | <input type="checkbox"/> Beer | <input type="checkbox"/> Make up |
| <input type="checkbox"/> IPOD | <input type="checkbox"/> Cable TV | <input type="checkbox"/> Cigarettes |
| <input type="checkbox"/> Water bill | <input type="checkbox"/> Doctor visit | <input type="checkbox"/> School lunch |
| <input type="checkbox"/> Hammer | <input type="checkbox"/> Cell phone | <input type="checkbox"/> Newspaper |
| <input type="checkbox"/> Vacuum cleaner | <input type="checkbox"/> Dinner out | <input type="checkbox"/> Air conditioning |
| <input type="checkbox"/> Glass cleaner | <input type="checkbox"/> SUV vehicle | <input type="checkbox"/> Oxygen tank |
| <input type="checkbox"/> Car payment | <input type="checkbox"/> Pet | <input type="checkbox"/> Diabetes kit |
| <input type="checkbox"/> Suit | <input type="checkbox"/> Computer | <input type="checkbox"/> Music |
| <input type="checkbox"/> Dancing shoes | <input type="checkbox"/> Electric bill | <input type="checkbox"/> College tuition |
| <input type="checkbox"/> X-Box | <input type="checkbox"/> Brief case | <input type="checkbox"/> Snow shovel |

As you see, some of the items will depend upon your circumstances. If you have a hard time breathing, you can bet that the oxygen tank is a need.

Your wants will have a priority. A car, in today's world, is needed to support employment. New tires will keep the vehicle safe.

Prioritize these WANTS, 1 to 10, with 1 the most important

Music CD	<input type="checkbox"/>	Computer	<input type="checkbox"/>
Cleaning supplies	<input type="checkbox"/>	Birthday gift	<input type="checkbox"/>
Make-up	<input type="checkbox"/>	Hammer	<input type="checkbox"/>
Car	<input type="checkbox"/>	Financial software	<input type="checkbox"/>
Tuition	<input type="checkbox"/>	Video game	<input type="checkbox"/>

Describe your own Wants

Using the spaces below, list as many things as you can think of that fall into your "wants" category. Prioritize them using the following three categories.

Priority One means it supports your efforts to create income (car, training, education, wardrobe for work, haircuts are examples):

Priority Three makes you look successful (examples are a fancy watch, fast car, big house or apartment, expensive shoes):

Priority Two are things you prefer and that make your life comfortable (examples are daily newspaper, cappuccino, lunch out, or a weekend trip):

Write a short paragraph in your own words that explains the difference between a want and a need. Remember there are no wrong answers. You need to prioritize your needs and wants based upon your unique circumstances.

Keep track of your spending on Needs and Wants

Go Find It → *In the Online Course*, you'll find a **worksheet** to track your spending.

For one month, record everything you spend on the attached printed worksheet. Describe the amount, the payment type, the purpose, and determine if it is a Need or a Want. Use a H, M, L (high, medium, low) to prioritize the Wants. You may need everyone in your household to participate so that you can accurately track your spending.

When you've collected a month of data, transfer the info from your printed worksheet to here.

Enter total spent on NEEDS: _____

Enter total spent on WANTS: _____

Enter current monthly SAVINGS: _____

Enter your monthly INCOME: _____

Percent of your monthly spending for NEEDS: %
(Needs divided by Monthly Income)

Percent of your monthly spending for WANTS: %
(Wants divided by Monthly Income)



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