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Lifestyle Creep

Under the heading of 'financial wellness', we visit the topic of **lifestyle creep** in this week's column.

Lifestyle creep can be characterized as spending after receiving a raise, instead of saving the additional income. It can occur if you experience a windfall; it can also occur following a final loan payment, should you decide to spend the extra money rather than directing it to savings. In cases of lifestyle creep, extra items that you were living without prior to your increase in income – such as entertainment and restaurant meals – now appear essential. Lifestyle creep can also include paying for new experiences, such as directing the monthly savings from a recently paid-off mortgage to fund travel, rather than redirecting money to a savings account.

Lifestyle creep is a problem because it can prevent people from saving the right amount for retirement or emergencies. It's normal for your lifestyle spending to increase when you get a better income: you want to treat yourself after working hard to make that money. It becomes problematic when the increase in lifestyle outpaces the increase in income, and debt ensues.

Inflation rates have hit our discretionary income, particularly if we have not adjusted our spending based on the realities of the economy. Lifestyle creep keeps us in our current spending patterns as we work to maintain a lifestyle we created based on our expectations.

The positive side of recent inflation is that Principals and Vice-Principals will soon see an upward bump in salaries, due in part to public sector union collective bargaining for wage increases to keep up with the Consumer Price Index. When you see that extra money on your paycheque, how will your spending behaviour change?

Pause here: take a few minutes to think about it.

You are receiving a salary increase to help keep up with the cost of living – gas, food, mortgage payments – so are you really making *more*? What will this mean to your household budget: spending versus savings?

With your salary increase, you may receive a retroactive paycheck. You may feel the need to reward yourself; you have worked hard, and the dopamine hit will feel good! So, go ahead and buy something reasonable you may have been eyeing, but consider putting the rest in your savings.

If you're making more money, your rate of savings should also increase. During times of inflation, it may be harder to save based on what you are earning, but always pay attention to aligning your savings with your earnings.

Business Insider [offers these warning signs](#) that you may be experiencing lifestyle creep:

1. **Your savings is stagnant.** If the amount you are saving has remained static even after a few years of raises and bonuses at work, that is a sign that you are spending all of the extra money you are making each year. Not prioritizing saving can be disastrous for your overall financial health.
2. **Your spending has increased in many (or most) areas of your life.** If you notice that you're spending more money in general because you feel like you can afford it, lifestyle creep may be a factor. You may eat out more often, buy pricier gifts, take more expensive vacations, and sign up for several new memberships.
3. **You aren't budgeting.** It's easy for lifestyle creep to take over when you don't know where your money is going. If you don't know how much money goes toward extra expenses each month, you can overspend without even realizing it.
4. **You don't feel in control of your finances.** Maybe you're stressed every time you check your bank account balance because you know you spent too much. Or, you look at your dwindling savings or growing credit card balances with dread and regret. This sense might be telling you that your lifestyle is exceeding your income.

Check out this informative [NPR podcast and article](#) that provide insights and tips on the topic of lifestyle creep.

In the article, you will learn how to avoid lifestyle creep:

- Avoid impulse purchases with a buy-list
- Know that it's okay to treat yourself sometimes
- Ask yourself: What is enough?
- Work on your mental and emotional health

So, go ahead and buy that bottle of champagne when you get a raise! Then calculate how the percentage increase in your earnings can be best mirrored in your savings account, and keep yourself financially well.

A handwritten signature in black ink, appearing to read 'R. Morandini', with a stylized flourish at the end.

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If you would like to contribute or have ideas about what you would like to see in the ReFresh series, we would love to hear from you: contact rochelle@bcpvpa.bc.ca.