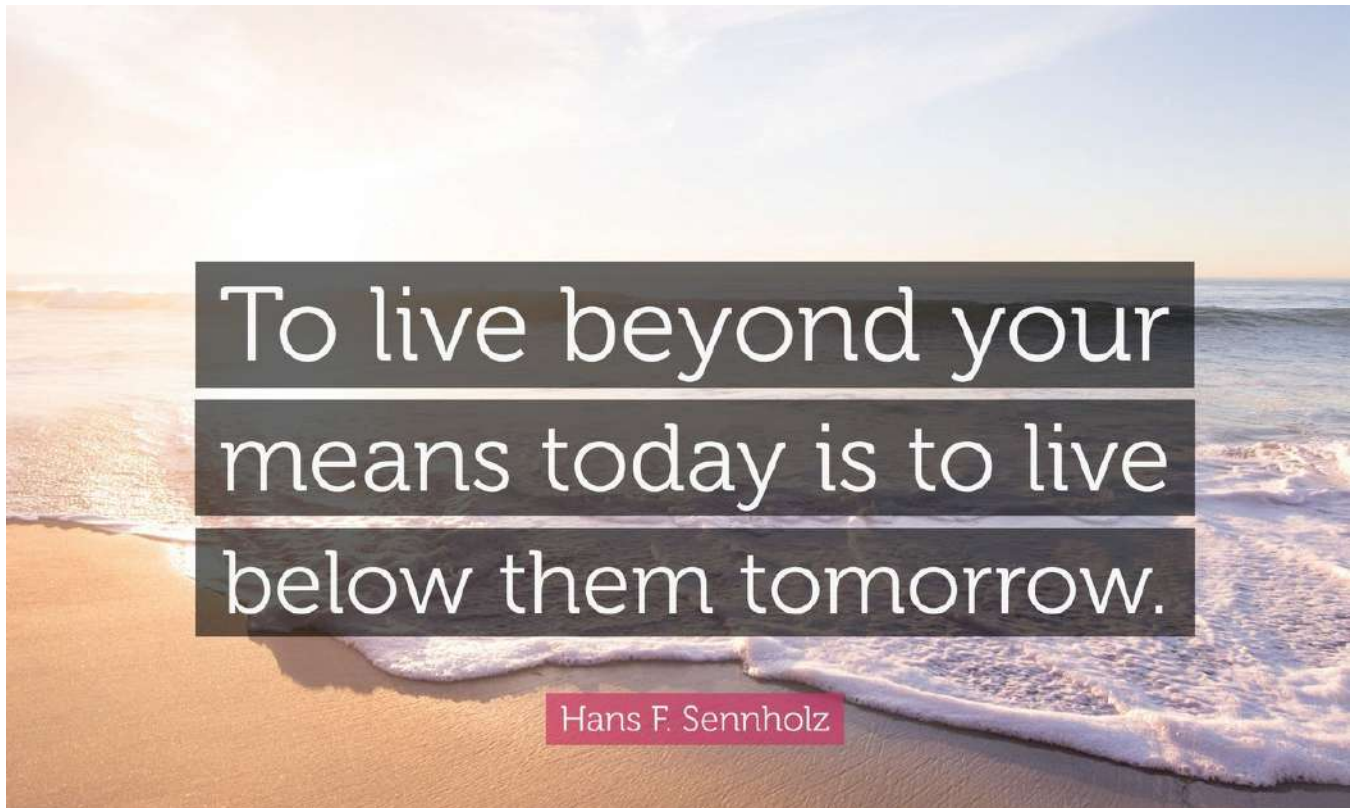


## 7 Signs You Are Living Beyond Your Means



Even after nearly 30 years in financial planning, I am occasionally taken by surprise by somebody who tells me 'I can't save anything, I have no money'. I understand some jobs simply don't pay well, but I have heard top-notch lawyers, vascular surgeons, corporate executives, architects and others tell me this – and they genuinely mean what they say- they're broke!



An old English saying 'Cobblers kids never have shoes' springs to mind. These professionals are often so focused on their work that they lose track of why they are working- for themselves and their families!

These days, it is all-too easy to let work take over from the real priorities in life.

With credit cards and the general lifestyle creep many people suffer from, it's easy to find yourself living beyond your means. Sadly, many people are currently living this way.

Taking the USA as an example...

- 44% of Americans don't have enough cash on hand to cover a \$400 emergency.
- The average credit card debt for households that carry a balance is almost \$10,000.
- Even high earners struggle to cover emergencies, with 30% of households earning \$150,000 or more having less than \$1,000 saved.

This new normal is a dangerous thing for you and your financial life. Living beyond your means can create a spiral of debt, making it difficult to eventually retire, and leads to lots of unwanted stress.

The Strategic Expat is not judging anyone for living like this, as many have little choice, and this article may come across as rather harsh for some people. However, realising how bad a situation is may motivate one or two people to make positive changes.

## 1. I NEVER SET A BUDGET



Living without a budget is like driving with your eyes closed – You cannot see where you are going.

Having a written budget is one of the most important steps to financial planning, and living within ones means.

It helps people to understand their income and outgoings, and plan for purchases without resorting to credit.

So if you've *never* set financial parameters for yourself, and you're not filthy rich, there is a good chance that you need to make an honest assessment of your income, spending, and savings goals.

In my experience, not doing so will only cause a great deal of stress, uncertainty, and even guilt over time.

People with a sense of their own patterns and habits can work toward setting a realistic budget that allows them to save and spend more wisely - So make it a priority!

## 2. I DO NOT HAVE 3-6 MONTHS OF INCOME SAVED



Everybody needs an 'Emergency Fund'.

Many people just do not have that money saved up, but it certainly makes sense to do so.

In stable employment, 3 to 6 months net income should be in an easily accessible bank account. Unfortunately, many people do not consider unexpected events like job loss, illness, family emergencies etc.

If your employment is not so stable, or you work for yourself, you should. If you do not have money in a bank account, you are definitely living beyond your means.

Building an emergency fund is not easy if you have limited spare cash, but just a small amount each month, and this account will build up faster than you think. After the first few months, you probably won't even notice the monthly savings.

## 3. I CAN ONLY AFFORD TO MAKE THE MINIMUM PAYMENTS ON YOUR DEBT



Lots of people experience a tight month, and they only pay the minimum payment on their credit cards. But if you find yourself consistently paying the minimum payments only, you are probably living beyond your means.

The problem is that only paying the minimum will cost you significantly more over time.

Your credit card company loves to charge interest on unpaid bills, and interest rates on credit card balances are ridiculously high.

Oh... And of course, it also affects your credit rating.

Get yourself back in the black in the next few months by doubling or tripling the minimum payment due, suggests consumer spending expert Andrea Woroch. And leave your credit cards at home when you shop - Start carrying cash instead.

#### 4. I BORROW MONEY TO GO ON HOLIDAY



Everyone needs a break sometimes – and you probably justify it by saying that you work very hard.

Most of us do! But there are ways to take a holiday 'on the cheap' so you don't add to your debt burden. A holiday is supposed to reduce your stress, not add to it!

But 40% of Americans don't even have enough money to cover a \$400 emergency, which implies they are still paying off the credit card bill months after the holiday is over, and the tan has faded. You have to ask '*Was it worth it?*'

#### 5. I AM NOT SAVING AT LEAST 5%



Many financial advisers would suggest that in an ideal world, you should save 10 to 15 percent of your total income. But if you can't save at least 5%, even while paying off debt, this could be a sign that you're living beyond your means.

Any kind of savings counts, whether it's in a cash account, a savings plan or a pension.

If you really feel you can't save any money, you are spending it on items and services you probably don't need. Pay *yourself* first by putting a minimum of 5% away.

It may mean giving up things in the short term to be successful in the longer term. But it is worth considering what you can manage without, be it a mid-morning Starbucks instead of making your own coffee; or dinner delivery rather than cooking.

## 6. I PAY OTHERS TO DO JOBS I COULD DO MYSELF



Some expenses are unavoidable but a person who is in debt can't afford to spend money on skills they already have. Instead of paying someone else to do a job for you, try doing it yourself. Do you really need a cleaner, or could it be done in a couple of hours on Saturday?

Car-washes, lawn-mowing, and many other tasks spring to mind, and doing it yourself might even be enjoyable, as well as cost-efficient.

## 7. I RELY ON AN OVERDRAFT EACH MONTH



If using your overdraft protection is a part of your budgeting for every month, you know you are living beyond your means – there is no debate!

If you are regularly paying overdraft fees, you are just throwing money down the drain.

I refer you to point number 1 above. It will help you take control of your financial situation and stop paying large, unnecessary fees to a bank.

**There are solutions to living beyond your means...**



None of us set out to live a life we can't afford. But a car loan here, an emergency there, and a couple swipes of the credit card later, and it quickly starts to hurt.

However, if you identify the warning signs you'll know that you need to make a change, the good news is that there are things you can do to turn your finances around before you hit that brick wall.

Small changes can make a big difference!