



# UNITE

## CREDIT UNION



### Quick Links

[Website](#) | [Rates](#) | [Applications](#) | [Contact Us](#)

## Wants vs. Needs



When you're creating a monthly budget, one of the most important steps you need to take is categorizing your spending by whether it is a "need" or a "want." It is also one of the most challenging steps because what is a need vs. a want can vary from person to person. It is also easy to mis-categorize wants as needs if you are so accustomed to them that you have trouble imagining living without them.

*Paula Pant, writer for The Balance* explains how understanding your spending is key to taking control of your budget.

## **What Are Wants vs. Needs?**

When you fill out a budgeting worksheet, you categorize your spending as either wants or needs. This separates your expenses into what is necessary for your well-being and survival (needs) compared to what you would like to have but do not require (wants).

### **Examples of Needs**

Needs are usually your basic living expenses, things necessary for your health, or expenses that are required for you to do your job. These could be:

- Rent or mortgage
- Utility bills
- Healthcare and therapy
- Medication
- Food
- Work uniform
- Commuting

### **Examples of Wants**

Wants are things you choose to buy but could live without, such as:

- Entertainment
- Dining out
- Home purchases
- Travel
- Electronics
- Monthly subscriptions or memberships
- TV or music streaming accounts
- New clothing

Wants are not inherently bad. They are pleasant and often can help you accomplish important goals like keeping in touch with loved ones, having fun, or staying healthy. But they are not necessary to your survival or well-being.

## **‘Needs’ That Are Really ‘Wants’**

The line between wants and needs is sometimes blurry, and it can be hard to separate out which expenses belong in which category. There can be different reasons for this.

### **Lifestyle**

Whether an expense is a need or a want often depends on how and why you use it. Home internet may be a need for you if you work from home. However, if you only use your home internet for entertainment, such as browsing social media or playing video games, it is actually a want.

### **Split Expenses**

Parts of an expense may be categorized as a need while others are a want. A grocery bill is a need because you need to eat. But if, along with your produce, protein, and whole grains, you also buy chips and soda, then some of those things are wants rather than needs.

### **Which Option You Choose**

Other times, the category of expense is a need, but the specific option you choose within that category is a want. For example, having some kind of phone may be a need so that you can communicate with family or coworkers, order your medication, or contact your landlord.

All those things, however, can be accomplished with a \$20 flip phone. If you choose to spend hundreds of dollars on a new smartphone, that extra expense is suddenly a want.

Choosing that option that is a want rather than a need is not always bad. For example, purchasing organic food may be an ethical choice that is worth the money for you. But it is a choice. Understanding which expenses are and are not optional will help you more effectively create a household budget.

### **Is Saving a Need or a Want?**

If your budget is tight, it can be easy to stop putting money towards savings or long-term financial goals such as:

- Emergency savings
- Paying off debt
- Retirement funds
- Life insurance
- Disability insurance

This sort of spending feels like a want because it is not an immediate need. You can survive this month even if you don't put away money for retirement or build an emergency fund.

However, saving and getting out of debt should also be considered needs because these are investments in your long-term financial and personal well-being.

Having life insurance, for example, might not be something you need this month. But if you should pass away unexpectedly, it will certainly be a need for your family when it is time for them to pay for your funeral or provide for your children.

Because of this, saving and getting out of debt should be considered a need. Whether you are saving \$10 a month or \$10,000, planning for your long-term well-being should be taken care of along with other mandatory expenses.

**Some financial experts recommend that saving and paying off debt should be prioritized even before expenses like rent and food in order to**

**motivate yourself to accomplish them. This is known as "paying yourself first." We would love to hear what you think about that!**

Email Us Your Thoughts

### **The 50/30/20 Budgeting Rule**

If you use the 50/30/20 budget system, your expenses will break down to:

- 50% of your after-tax income spent on needs
- 30% spent on wants
- 20% spent on savings and debt reduction

This division of expenses means there's nothing wrong with buying fancy bread and milk or subscribing to Netflix. The 50-30-20 budgeting rule of thumb allows you to spend 30% of your take-home pay on things you want.

By assigning a concrete value to your wants, you prevent yourself from overspending and ending up in debt. The key to budgeting is to become more aware of how you are spending money. This allows you to spend within your means and make sure that your spending aligns with your values and priorities.

### **Adjusting Your Spending on Wants**

When you need to cut your spending to save money, eliminating wants is often the easiest and first place to make changes. For example, you may give up your gym membership and start running around the neighborhood for exercise. But just because something is a need does not mean its cost is set in stone.

For example, if you are paying \$1,700 a month in rent, you can save money by:

- Moving to a smaller apartment
- Getting a roommate
- Temporarily moving in with family

Or, you might need to get to work every day with a commute, but instead of spending money on parking and gas, you could save money by:

- Walking
- Taking public transit
- Carpooling with a coworker or neighbor
- Biking

Needs often make up the largest portion of your budget, especially if you are following the 50/30/20 rule.

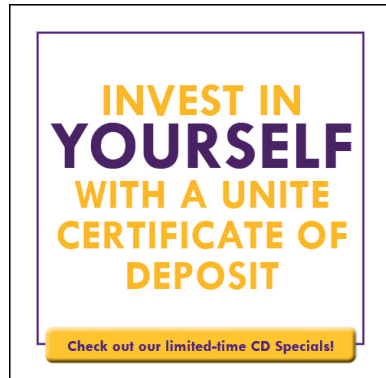
By rethinking how your needs look, you can often make the biggest change in your monthly spending.

[Article source.](#)



## SAY "YES!" TO NO PAYMENTS FOR 90 DAYS + \$100 CASH

When you finance your new or used auto loan with UNITE!



## About UNITE Credit Union

UNITE Credit Union was established in 1955, and since then has provided financial services to the students, parents of students, alumni, faculty, staff & retirees of the University of Northern Iowa; the employees, families & retirees of MidAmerican Energy & the students, parents of students, alumni, faculty, staff & retirees of the Cedar Falls School District.

Federally insured by the NCUA. Equal Housing Opportunity. NMLS 530628

UNITE Credit Union | 802 W. 29th St., Cedar Falls, IA 50613-5022

[Unsubscribe becky@mindzeyemarketing.com](mailto:unsubscribe_becky@mindzeyemarketing.com)

[Update Profile](#) | [Our Privacy Policy](#) | [Constant Contact Data Notice](#)

Sent by [memberservices@unite-cu.org](mailto:memberservices@unite-cu.org) powered by



Try email marketing for free today!