



Needs versus Wants

Needs refer to things we must have to survive, such as food, water, and shelter. Wants are desires for goods and services we would like to have but do not need.

Understanding your needs and wants will help you to establish and follow a spending and savings plan. Those plans in turn will help you to improve your credit and to accomplish your financial goals.

Extensive Social Media and Marketing Campaigns have brainwashed us into believing that we “need” certain goods. The “Joneses” next door have been replaced with “influencers”. This situation overwhelms and frustrates many people and leaves them with feelings of insufficiency. Compared to prior decades, people now view hundreds of items as critical to their well-being.

The approach of amassing physical goods is misguided as happiness research shows that happiness can be accomplished by 1) comparing yourself to the correct peer group (e.g. your colleagues) rather than celebrities, 2) earning at least \$ 80,000 (earning this much allows you to live comfortably. More income does not increase happiness by much more), and 3) using your money to buy experiences (e.g. the romantic weekend getaway or a vacation) rather than things.

If you find that you spend much more on your wants than on your needs, a spending plan can help you to gain control of your spending. To refocus your life on your needs at least for a while can be very useful – especially if you are trying to reduce and eliminate debt.

“That man is richest whose pleasures are cheapest.”

Henry David Thoreau, American poet and philosopher



Needs versus Wants – Monthly Worksheet

Needs Items necessary for survival and income generation	Monthly Cost	Wants Items you desire	Monthly Cost
<i>Housing</i>		<i>Cable TV Subscription</i>	
<i>Food</i>		<i>Entertainment</i>	
		<i>Eating Out</i>	
Total Cost of Needs		Total Cost of Wants	

“Know what you own, and know why you own it.”

Peter Lynch, fund manager – the Magellan Fund at Fidelity

Needs versus Wants – Future Purchases Worksheet

Needs Items necessary for survival and income generation	Cost	Wants Items you desire	Cost
<i>Better Health Insurance</i>		<i>Designer Clothing</i>	
<i>New Suit for work</i>		<i>2nd vacation</i>	
		<i>New Car</i>	
Total Cost of Needs		Total Cost of Wants	