CHAPTER 1

Needs and Wants

One thing that confuses some people and messes up their money is thinking, "I *need* this." Maybe it's a pair of shoes, a bottle of body lotion, or a magazine. Very often we talk about the things we want as things we need because we want them so badly they feel like needs.

Children speak this way: "But Mom, I need those new sandals." The shoes Molly is wearing still fit. There are no holes in the soles. They look good. But they are not this year's style. Molly is sure she *needs* those new sandals. She wants them so badly it actually feels painful not to get them.

Money and emotions are closely tied together. Pleasure centres in our brains respond when we spend money. Some people become addicted to the drugs their brains release when they go shopping. Shopping creates a sense of well being. *Not* shopping creates a sense of loss.

And that is how *wants* become *needs*. We convince ourselves to go out and buy something we want by telling ourselves we need it. This wouldn't be a problem if we had the money to satisfy all our wants. The problem comes when we don't have the money — the cold, hard cash — and we must turn to credit to scratch our shopping itch.

Needs and Wants

I meet people all the time who can't tell the difference between a need and a want. *Needs* are the things we must have to keep our lives working. We need a place to live. We need food to eat. We need to be able to get to and from work or school or church.

Wants are the things we really like. While we need a roof over our heads, we want a four-bedroom, three-bathroom house on a nice lot,

Questions to Ask Yourself

Knowing the difference between the things we need and the things we want helps us resist advertising and sales pressure. Once we know the difference we can ask ourselves, "Do I need this?" If the answer is, "No, I want this," the next question is: "Do I have the money to pay for it right now?" If the answer is no, we simply don't buy.

If the answer is yes, the next question is: "Is there anything else I would rather do with this money?"

This third question helps us to see how important the thing we are thinking about buying is, in the big picture of our lives. If there is nothing else we would rather do with the money, hey, we can enjoy that new purchase without another thought. If the answer is, "Well, I need some dental work and I need to make sure I've got that covered," we put the thing we're thinking of buying on our shopping list. Then we walk away until we've saved up the money to buy it.

Figuring Out Your Needs and Wants

Here's an exercise you can do to see how well you distinguish between needs and wants, and how often you give in to your wants.

Make a list of everything you think you *must* spend money on each month, along with how much you think you spend. Your list might look like this:

- Rent: $875
- Utilities (heat, electricity, water): $85
- Phone: $25
- Food: $400
- Transportation: $110
- Insurance: $55
- Clothes (self): $20
- Clothes (kids): $45
- Entertainment: $60
- Pets: $25

Next, grab your bank and credit card statements for last month and look at what you actually spent money on. If you look at your bank statement and see you paid a cable bill for $100,

that's a *want* and you have to start a new list of "wants." Write down "cable" on that new list, and the amount you spent. If you spent $75 on your phone, the first $25 goes on your "needs" list because that's what your basic telephone service costs. The remaining $50 goes on your "wants" list because the charges are for things like long distance calls, voice mail, or call waiting. Look at every single bank and credit card transaction you've made in the last month. How much did you spend on needs and how much on wants?

You might be surprised at how much money you spend on things you consider to be needs, but that are actually wants.

Completing this exercise will help when it comes time to make a budget. You will be better able to see the difference between a need and a want. That means you will be able to make good decisions about how you spend your money.