

Guilty About Spending?

At the start of the new financial year, financial planner **Priya Sunder** tells women how to balance their income, invest and yes, spend guilt-free too.

Last week as I pulled into my driveway after returning from a dinner that ended past midnight, I noticed my neighbour taking out three huge shopping bags from the boot of her car. As we took the elevator to our apartments, I asked her if Bangalore had finally got a new 24-hour department store. She sheepishly admitted that she was trying to sneak in the shopping bags at that hour so her husband wouldn't find out about her day's extravagance. That left me wondering: Why do women feel so guilty about spending money, even if it is their own?



GUILTY!

Most women are programmed to feel guilty. In fact, it is wired into our DNA. If we are at work, we feel guilty about having yelled at the kids that morning, about ordering food from outside over the weekend instead of slaving over the stove cooking a meal for the family, about drinking too much... We feel guilty when we shop for ourselves or pamper ourselves in a spa. In fact, any kind of indulgence leads to guilt. This is an alarming trend seen especially among urban women today.

PERFECT PLANNING

A lot of guilt, especially around spending, comes from not knowing where you are financially and where you ought to be. A good financial planner can help you by:

- Showing you your cash inflows and outflows systematically.
- Planning for a surplus every month.
- Planning wise investments in line with your future goals.

A MATHEMATICAL MODEL

Using a mathematical model, a financial advisor can predict if the future looks secure for you with your current income and expenses. Modelling this outcome is critical to your current spending patterns. You may be either spending too much, or too little. If you are spending too much, then either the income needs to increase, or expenses need to reduce. However, if you are spending too little, then you may be accumulating more wealth than you need for the future.

As a financial planner, I often see my customers' retirement charts looking extremely healthy. They are not only able to fund their own retirement comfortably with the wealth they have accumulated during their working years, but they also end up bequeathing a sizeable amount of wealth to their children, without consciously planning to do so. While this may have been an objective for our parents' generation, it is not a goal for many of my younger customers. They would like to plan for a good education for their children, and let them build their lives from there. I advise such customers to upgrade their lifestyle, and enjoy their wealth today after ensuring that life, medical and income stream risks are addressed.

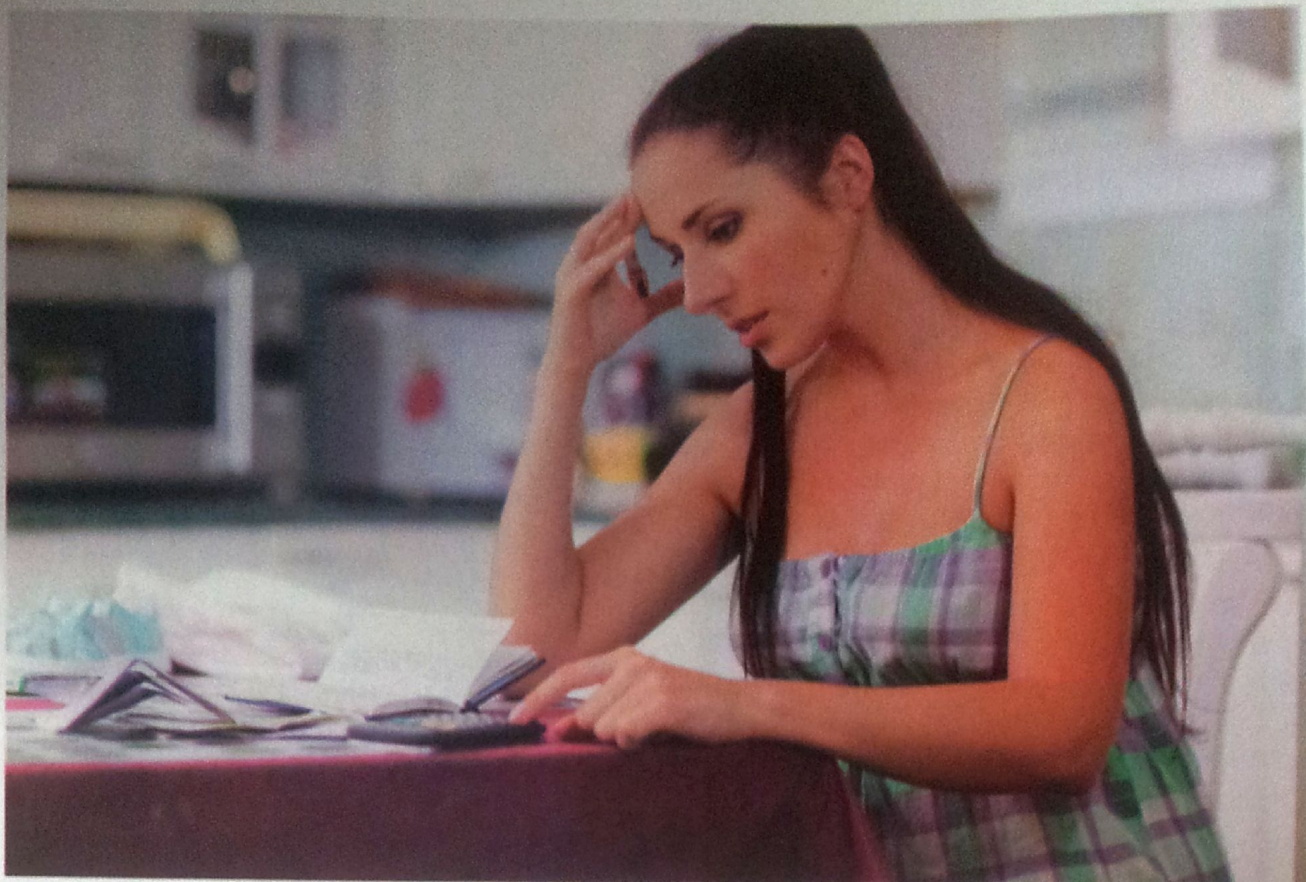
If you are married, create a separate bank account/ money manager account for your discretionary expenses. Use this money without guilt.

I strongly believe that once your necessary outflows in terms of routine expenses, EMIs, rentals, education expenses and insurance premiums have been taken care of, set aside some money to spend as you wish. Call this category discretionary spending. Now that you have earmarked this money for your own consumption, you will find it easier to let go of your guilt. More so as you have worked hard for it, you have the right to be happy!

THINGS YOU HAVE TO DO

Sometimes memories of fun times together as a family are more precious than that hefty bank balance: There are some things you must spend on because if you don't do it now, the moment will pass and it may never come





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back again. My niece is graduating from school this year, and will be going abroad to pursue her undergraduate studies. Ever since I held her as a newborn baby in my arms, we've shared a very close bond. I am absolutely loathe to see her go. Our families have planned a trip to Barcelona in May. Even though this holiday will overshoot my budget this year, I still want to do it. Sometimes it is best to follow your desires.

Spend on yourself: It's a good thing to spend on yourself. I'm not talking about over-the-top spending, where you blow up lakhs getting that perfect pair of Jimmy Choos or a Christian Louboutin, but about the small indulgences you can allow yourself every month. Go

meet your friends for lunch in a nice restaurant, get a smashing haircut, indulge yourself at a spa, and buy that dress you've been eyeing for the longest time. Go ahead, do it! It will not break the bank, and it will not compromise your future.

CHEAT SHEET FOR GUILT-FREE SPENDING:

1. Create an annual budget for discretionary expenses. Break it down monthly and give yourself the allowance to spend within that limit each month.
2. If you would like to splurge once or twice a year on big holidays or purchases, start saving from the start of the year. Start a Systematic Investment Plan (SIP) for 12 months. Redeem it at the end of the year. Use the capital and the return on the fund to pay for your holiday. Doing this will ensure you don't dip into your monthly budget to fund such expenses. It will also offer you a higher return than a savings account.
3. If you are married, create a separate bank account/ money manager account for your discretionary expenses (after budgeting for essential expenses and investments). Use this money without guilt.
4. Use a debit card for your discretionary expenses.

Some money manager funds also offer debit card facilities. This way you ensure that you do not spend more than what you have. It will save you the guilt of a high credit card bill the following month.

5. Look out for discounts or deals on things that you enjoy spending on. If you love spa or beauty treatments, Groupon has some great deals. GroupTable has attractive discounts on restaurants. Buy your clothes and footwear at your favourite stores during their discount season. That way, you get more bang for your buck.
6. Keep an emergency fund either in a savings account or a money manager fund for six months of average monthly expenses. Doing this ensures that even

Creating a budget will help you feel more in control of your finances.

What's more, you will free yourself from the guilt of spending. All you need is a start!

A GUIDE TO BUILD UP YOUR 'SPENDING MONEY'
(EXAMPLES FOR TWO DIFFERENT MONTHLY NET SALARIES — ₹ 30,000/- & ₹ 50,000/-)

Annual disposable income of ₹ 3.6 lakh		Annual disposable income of ₹ 6 lakh	
Monthly disposable income	30,000	Monthly disposable income	50,000
Funds set aside for investments	4,000	Funds set aside for investments	8,000
Remaining income	26,000	Remaining income	42,000
Routine Monthly Expenses		Routine Monthly Expenses	
Food	5,000	Food	8,000
Utilities	3,000	Utilities	5,000
Fuel/ travel	1,000	Fuel/ travel	2,000
Domestic help	500	Domestic help	1,000
Rent	8,000	Rent	12,000
Total routine expenses	17,500	Total routine expenses	28,000
Annual/ irregular expenses		Annual/ irregular expenses	
School fees	35,000	School fees	50,000
Insurance premiums	10,000	Insurance premiums	15,000
Clothes/ shoes/ accessories	20,000	Clothes/ shoes/ accessories	25,000
Medical	4,000	Medical	6,000
Total annual/ irregular expenses	69,000	Total annual/ irregular expenses	96,000
Average monthly irregular expenses	5,750	Average monthly irregular expenses	8,000
Total monthly expenses	23,250	Total monthly expenses	36,000
Total surplus (income less expenses)	2,750	Total surplus (income less expenses)	6,000
Amount set aside to build emergency fund	1,500	Amount set aside to build emergency fund	3,000
Amount available for discretionary spending	1,250	Amount available for discretionary spending	3,000



if you lose your job or need to handle sudden emergencies, you have money to fund routine expenses until you are back on your feet.

HERE'S A STEP-BY-STEP GUIDE TO BUILD UP YOUR 'SPENDING MONEY' (SEE BOX ON EARLIER PAGE)

1. Write down all your post tax sources of income (disposable income) each month from salary, rent, bank interest, dividends etc. Set aside at least 10-20% of this income for investing for your long-term goals, such as retirement planning or children's education. If you receive a bonus, prioritize clearing liabilities such as loans first before using for discretionary spending.
2. Add all expenses that remain more or less constant every month, such as EMIs, rent, apartment maintenance, insurance premium payments, utilities, domestic help, groceries, fuel etc. Some of your expenses may be irregular or annual, such as property tax payments, school fees, tuitions, insurance premium payments, or medical expenses. Add up the regular and irregular expenses and average it out into monthly expenses.
3. The two categories can be termed as your "needs." Deduct your regular monthly expenses and your average monthly irregular expenses from your disposable income. Invest the part of your annual/irregular monthly expenses that you don't incur in a given month via a SIP into a money manager fund. It is important to plan for these expenses at the beginning of the year and redeem from the money manager fund when these expenses occur. Not doing this will disrupt your normal monthly budget.
4. Once these 'needs' are taken care of, set aside some money each month to build at least six months of average monthly expenses in your savings account or money manager fund. Fence this amount as your emergency fund.
5. The remaining is what you can spend on your "wants." Creating a budget will help you feel more in control of your finances. What's more, you will free yourself from the guilt of spending. All you need is a start!

Once your 'needs' are taken care of, set aside some money each month to build at least six months of average monthly expenses in your savings account or money manager fund.

Priya Sunder is the co-founder and director of Peak Alpha Investments, a Bangalore-based financial planning company that she runs with her husband.