

Don't fool yourself

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When Shruti and Parag told me they live a simple life style, I was amused. Shruti was wearing expensive solitaires in her ears, Parag had expensive Cartier watch on his hand and they had traveled in Volakswagon Jetta to my office. According to Shruti their monthly household expense was only Rs 60,000. When I expressed my amusement over her comment on simple life style, Shruti was prompt to respond "Last week, Parag got five of his old trousers altered from a small tailor, instead of purchasing new ones."

This is not a new experience for me. Most couples tell me their eating out food habits are simple and less frequent. When I dig deeper into their monthly expense sheet – if they maintain any – I find that there are couples who eat outside once a fortnight and spend about Rs 1,500 on meals and there are couples who eat outside thrice a week and their monthly spending in Rs 18,000. Both sets of couples find their eating out habits simple.

As a financial planner I come across such experiences on a daily basis. In consumerism individuals, couples and families get torn apart between their childhood grooming and temptation to enjoy materialism.

Our childhood grooming and values expects us to be frugal, save money for rainy day. In consumerism, show-off – sophisticated word for it is 'peer pressure' – and desire to enjoy life by spending pushes our mind to splurge. In bargain we end up fooling ourselves.

There is no way I am suggesting live like a hermit. Personally, I am not a hermit. Neither am I suggesting spend extravagantly. My only request is don't fool yourself. Be responsible for your actions.

Word 'family budget' sends upsets and sometimes disgust in many families. To these families I give them more friendly word for family budget. They can either call it their 'spending list' or 'menu card'.

In the beginning of a period, say a year or month decide on your spending. List down categories and items you want to splurge on and also the quantum of money to be spent on each one of them. Ensure you do not go beyond stipulated amount. Also keep some open categories like health etc. For these specific categories, just track the spending and not necessarily restrict your outflow.

In many businesses as well as salaried families, certain expenses are paid by their office e.g. car expenses, telephone bills etc. It is important to factor in these in our budget. This is because firstly even though we are not directly spending on those expenses, we are deriving the benefit of those goods and services and to that extent getting used to it. Secondly indirectly those expenses are being deducted from our earnings and to that extent we are paying for it. In English there is a saying 'there are no free lunches.'

By fooling ourselves we are behaving irresponsibly towards our hard earned wealth. We are also showcasing wrong and contracting values to our children. Someday sooner than later, wealth will start going away from your house. Our scriptures have explained the process of Goddess Laxmi going away. According to them, Goddess moves out very slowly initially. Process remains slow for prolonged period in subdued manner – sometimes lasting for half generations and then suddenly it starts gathering momentum. By all means spend but be responsible and don't fool yourself.

-Gaurav Mashruwala

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