

## CHAPTER 3

# Spending Mindset # 3: Wants = Needs

- *Wants Often Masquerade as Needs*
- *When Wants and Needs Are Confused in Our Minds*
- *Exercise: Are You Spending on Needs or Wants?*
- *Key Takeaways*

### Wants Often Masquerade as Needs

If you ask people to stop and think about how a want is different from a need, they will probably be able to clearly distinguish one from the other. As concepts, people get that these two things are clearly different. The problem is that when people are living in a Spending Mindset day in and day out, they are not really conscious of this difference when it comes to making buying decisions. The line between wants and needs is blurred and, over time, everything that's interesting or desirable around them looks like something they *need* to buy.

In all fairness, wants and needs are fairly close by definition:

**Need:** *Verb* To require (something) because it is essential or very important; “I need help now”; an urgent *want*.

**Need:** *Noun* Circumstances in which something is necessary, or that require some course of action; necessity: “the need for food.”

**Want:** *Verb* To have a desire to possess or do (something); wish for; to feel the *need* or desire for.

**Want:** *Noun* A lack or deficiency of something.

Perhaps it's not surprising that these two concepts become confused in our minds, especially given the fact that both terms appear in the definition of the other. Recently, I heard a friend say, “I need a new pair of shoes.” I said to myself (looking at the nice-looking pair of shoes already on her feet and thinking about the twenty or so pairs I've seen in her walk-in closet, “Do you really *need* a new pair of shoes, or do you just *want* a new pair of shoes?” It is obvious to me that her “desire to possess” a new pair of shoes is a want, and it was equally obvious to me that in her mind, it was a need that *had* to be satisfied. This is a perfect example of a want masquerading as a need—one of the true enemies of saving money. What about the “need” for a bigger house? One of the things I hear couples say a lot is that they “need a bigger house” or they “need to upgrade the kitchen”. This isn't really a need at all (assuming safe shelter is available); rather, it is a want. Not buying a bigger house or upgrading their kitchen would leave them feeling unsatisfied at worst. If you have children or have ever spent time with them, you might notice they think and talk like everything is a need. Even when they say they “want” something, they act like it's much more of a need and they'll die if they don't get it. We grow out of this as we mature but even as adults, this mindset can prevail. For many

couples, there is very little distinction between wants and needs when it comes to shopping. For certain purchases (clothes, new cars, restaurant dining), they think and talk as if many things are needs and they just simply have to have them.

### **When Wants and Needs Are Confused in Our Minds**

Relating to wants as needs causes a lot of unnecessary and automatic spending that could be avoided. We are compelled to satisfy what we view as our needs and can rationalize spending money on things we need much more easily than if we see those things as wants. We actually trick ourselves into believing our spending has more urgency than it really does. This doesn't mean that we shouldn't ever spend on wants, but we should do so consciously and responsibly. Consciously deciding to spend money on a want is quite different from unconsciously spending money on something that we've tricked ourselves into believing is a need. For example, if you're a gourmet cook and you and your spouse would really enjoy a remodeled kitchen, and if you recognize this as a "nice to have" rather than a "need to have," and, most of all, if it won't put your financial objectives at risk, then go for it! However, it should be clear to the couple that upgrading the kitchen is not a need. Unfortunately, most couples in a Spending Mindset are less likely to correctly distinguish between wants and needs; and if everything around you is a need, you end up spending much more money than you should. This of course is especially problematic when it puts your short-term or long-term financial goals at risk. Being able to distinguish needs from wants is a critical skill for wealth building. It allows for more discriminating spending. It's not wrong to want a bigger house

or to buy another pair of shoes, but for couples to get out of this Spending Mindset, there has to be a realization that many of the things that look like needs are actually wants masquerading as needs—and not all wants should be satisfied. When a couple is able to see wants as different from needs, spending decisions can be infused with more thoughtfulness. As a result, unnecessary spending will be reduced. Spending less contributes to increased savings and increased savings build wealth. While this is all easy to understand, putting it into practice is difficult.

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