

Money Matter\$ - 22 May 2025

By Standard Chartered Bank

Title: The Great Moderation – spending wisely

Remember what your parents or grandparents told you when you were younger about spending your money wisely?

The great thing about advice like this is that it is true and it is sound advice that everyone should follow but to what degree and how often do you follow it?

As you get older and enter different life stages, the advice may be hard to follow as one progresses in life and has a set expectation of what one should have in terms of possessions as well as achievements.

What constitutes wise spending?

Every individual has different views on how they should spend wisely. You don't have to be a 'wise' person to know what you can and cannot afford. Indeed many times we hear of people who have started out in life with only a dollar in their pocket and have gone on to be extremely successful business persons or who have worked hard to alleviate their financial status from a low-income bracket to a high-income one.

The way you spend your money and what you spend it on has to make sense for the amount of income you earn. If you are earning a basic salary of \$500 a month but expect to purchase a new car which you have to pay \$250 a month for, that would be considered very unwise and you should find other solutions for transportation. However if you are earning \$5000 a month and have restricted yourself to a car purchase which requires only \$400 a month, that would be extremely sensible.

The key solution here is that, whatever income bracket you are in, you must identify your priorities. If you earn \$700 a month and already have a loan of \$300 a month, you are in a very delicate situation whereby you only have \$400 left for the rest of the month to deal with food and other bills. Is this reasonable? One would say no. Is the loan a necessity? One would have to question what it was for and if it was justifiable.

Try to stop being status conscious

In a world where we are constantly exposed to glossy advertisements of branded goods and such, sometimes we need to give ourselves a reality check. While it is nice to carry the latest mobile phone in the market or be seen using the newest laptop and driving around in the flashiest vehicle, the payoff for raising your debt level just to afford all these fancy things may, in the end, become unbearable.

It is a completely different matter if you have abundant savings and are earning top dollars. But if you don't have any form of savings yet but are still spending your money on frivolous items and holidays, then you need to start humbling your mindset before it starts becoming a dangerous downward spiral. What's the point of carrying a designer bag worth hundreds or even thousands of dollars when you don't even have that much sitting safely away in a savings account?

Finding opportunities instead of excuses

It's easier to find excuses than to find opportunities. For example, I earn very little, that's why I have to take out a huge loan which leaves me with nothing left for the rest of the month. Or I work hard and I deserve a treat to buy something so I'm just going to take a loan for it. Or even worse, a big new year celebration is coming and my house needs a new TV.

There is no excuse that is justifiable enough for you to be spending money that you don't have in the first place. Instead you should find creative solutions for you to be saving for or at least making whatever you want to purchase more affordable.

If you want a new TV then put aside \$50 a month until you reach the targeted amount that you need for the purchase. Don't take a loan for it. If you need a car but you have low income, scout around for cheaper second-hand cars instead that can cost as low as \$2000 to drive first until you can afford a newer car when you start earning more money.

Moderation, moderation, moderation

Whether it's eating, enjoying life and in this case, spending, do it in moderation. Always question yourself if what you are spending on is really worth what you are paying for (and how you are paying for it as well!) and whether you can really afford it.

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