

The Danger of Nonessential Spending

Today's we look at identifying your nonessential expenses and prioritizing savings. One of our resources today is an article from The Motley Fool, available at Fool.com, "[42% of Baby Boomers Are Putting Their Retirement at Risk with This Mistake](#)" The article notes that according to a TD Ameritrade survey, the average baby boomer spends \$683 per month on nonessential expenses. Nonessential expenses are things like dining out, hobbies or entertainment like movies and sporting events.

Furthermore, 15% of the baby boomers surveyed acknowledged spending more than \$1,000 per month on nonessential expenses. These percentages and amounts aren't necessarily bad if you can afford it. However, 42% of respondents admitted that their nonessential spending was making it harder for them to save for retirement.

So, it seems that many baby boomers need to adjust their budgets.

If you're concerned about spending too much money on nonessentials, a budget can help you examine your current spending habits. Gather your most recent monthly bank and credit card statements. Because there can be unique events in any given month, like a holiday or birthday, I suggest gathering at least three months-worth of statements. If you have time to look at 12-months of spending, even better. Once you've gathered your statements, take a full accounting of your spending. First, identify your essentials, which is the amount that you spend on things like food, clothing, housing and insurance.

Then add up your spending on non-essentials and average it out over the period you're examining. I wouldn't be shocked if the amount is more than you expected. In fact, it might be closer to \$1,000 than \$683. If you want to save money, these nonessentials are a great place to start. If you love dining out and do so three times a week, spending \$30-\$50 each time, cutting back to two times a week could save as much as \$200 a month! Imagine adding an extra \$2,400 a year to your retirement savings.

Vacations and traveling are another area you might be able to cut back. According to the [TD Ameritrade survey](#) we mentioned earlier, six in 10 Americans view vacations as irrevocable parts of their budgets. However, you can scale back your vacations instead of canceling them outright. By putting that money into your savings, so it can gain compounding interest, you may be able to upgrade that delayed vacation!

Making even small changes can have a big effect.

A recent CNBC article, "[You can save thousands by cutting these expenses](#)" found that if you took \$3.28 every day – or roughly \$100 every month – and placed it in an investment account for 30 years, you could have more than \$122,000 at the end of that period, assuming a 7% annual rate of return.

\$3.28 per day is less than your latte or one drink at happy hour. Can you trade that immediate pleasure for a larger long-term reward? Start small, see if you can cut back and buy a latte or a drink just a couple times a week. From there, see if you can go a week without them. You can even make it a personal challenge or a game with friends or coworkers. Who can save the most? Set a daily savings goal and track it. You'll be surprised by the extra money you have at the end of the week.

Disclosure:

All written content on this site is for information purposes only. Opinions expressed herein are solely those of Strategic Wealth Advisors Group, Inc. and our editorial staff. Material presented is believed to be from reliable sources; however, we make no representations as to its accuracy or completeness. All information and ideas should be discussed in detail with your individual adviser prior to implementation. Fee-based financial planning and investment advisory services are offered by Strategic Wealth Advisors Group, Inc. a Registered Investment Advisor in the State of Michigan. Insurance products and services are offered through Strategic Insurance Group, Inc. Strategic Wealth Advisors Group, Inc. and Strategic Insurance Group, Inc., are affiliated companies. The presence of this web site shall in no way be construed or interpreted as a solicitation to sell or offer to sell investment advisory services to any residents of any State other than the State of Michigan or where otherwise legally permitted. Strategic Wealth Advisors Group, Inc., Strategic Insurance Group, Inc., Tim Sullivan, independent agent, is not affiliated with or endorsed by the Social Security Administration or any other government agency.

Sources:

<https://www.fool.com/retirement/2019/04/01/42-of-baby-boomers-are-putting-their-retirement-at.aspx>

https://s1.q4cdn.com/959385532/files/doc_downloads/research/2019/New-Basics-Survey.pdf

<https://www.cnbc.com/2019/03/19/you-can-save-thousands-by-cutting-these-expenses.html>