



How to Get a Handle on Lifestyle Creep

Did you know that nearly 7 in 10 U.S. households are now living paycheck to paycheck? That's up from 60% just a year ago—the highest level Debt.com has reported in eight years.¹ Rising prices and a cooling job market are big factors, but there's another culprit that often flies under the radar: lifestyle creep. It's something that can impact anyone, no matter their income.

What is lifestyle creep?

Lifestyle creep happens when spending increases with earnings, without a proportionate increase in savings. Signs of lifestyle creep often include:

- Stagnant or decreased savings rates
- Increased debt, especially high interest credit card debt
- Difficulty covering one or more emergency expenses
- Living paycheck to paycheck
- Lack of a budget

Breaking the cycle

When spending patterns increase with each raise or bonus, but emergency and long-term savings do not, people can find themselves stuck in an endless cycle of trying to make ends meet. Fortunately, getting “unstuck” may be easier than you think.

The first step is to prioritize your goals. That begins with differentiating between wants and needs. Needs generally refer to essential expenses, such as food, housing, utilities, clothing, transportation, and healthcare. Wants are more discretionary in nature. They're the things you would like to have but don't need to survive. After paying for your essential expenses each month, if you don't have enough income left to pay for all of your wants, you'll need to be selective and prioritize the things that add the most value to your life. Don't forget to address your savings goals, such as increasing emergency savings or making regular retirement plan contributions. The more aggressively you pursue your savings goals, the sooner you can break the cycle of living paycheck to paycheck.

Budgeting with purpose

The next step is to put a strategy in place to help you remain on track toward your goals. That begins with a budget. A budget is an essential tool that not only enables you to track every dollar that comes in and out of your household but to assign a purpose to it. Assigning a purpose to each dollar creates a deeper emotional connection to your money and a greater sense of control over how you spend or save the money you've worked hard to earn. Following a budget can also help you replace poor financial habits with more positive behaviors. For example, among consumers who say they adhere to a budget, 84% report that it has helped them to either avoid or pay off debt.²

Following a budget is easier than ever thanks to the number and variety of budgeting apps available for mobile devices at Google Play or the Apple App Store, at banks and other financial institutions, or

via a quick online search. Many are free and allow you to aggregate account information from different institutions so you can view your financial data all in one place, in real time.

Rewarding yourself first

While people often think of budgeting as a restrictive process, it's really just the opposite. It's about proper cash flow management to ensure that you have enough money each month to pay your expenses, set aside funds for emergency and long-term savings, and manage debt, while still doing the things you enjoy most in life. That's why paying yourself is a critical step in the budgeting process. It helps you build reserves for unanticipated expenses and save for important goals like a vacation, new car, downpayment on a home, and the ability to retire on your schedule.

The most effective way to pay yourself first is by automating savings so you're not tempted to spend the money. Start by participating in your employer's retirement plan, if eligible, via payroll contributions. Then direct an additional amount or percentage from each paycheck to be automatically deposited into a savings account. If your employer or payroll provider does not offer this option, consider setting up a recurring transfer from your checking account to your savings account to coincide with each pay period.

Remember, lifestyle creep doesn't have to be dramatic for it to have an impact on your finances. It can show up in the little things, like your daily coffee habit, the number of streaming services you subscribe to, or the need to upgrade your mobile phone each time a new model comes out. Reversing it begins with aligning spending and savings habits with the goals and priorities that add the most value to your life today and help you move closer to tomorrow's goals.

To learn more about strategies that put you in control of your financial future, contact the office to schedule a time to talk.

¹"Budgeting Survey: The Percentage of Americans Living Paycheck to Paycheck Hits Four-Year High." 11 Jul, 2025, Debt.com, <https://www.debt.com/research/best-way-to-budget/>.

²Ibid.

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