

Opinion **The Wealth Man**

Make it your new year's resolution to sort out your finances

Guarding against 'lifestyle creep' should be your financial priority in the year ahead

JASON BUTLER



© Alamy
12 HOURS AGO

Maggie opened her front door one afternoon to find two bailiffs who had come to repossess her car. “But there must be a mistake,” she said. “No mistake madam, under the terms of the finance agreement we are legally permitted to take possession of the vehicle,” came the reply.

Maggie couldn't get hold of her husband, as his mobile phone kept going to voicemail. She was left with no choice but to let the bailiffs take her car, and as a result had no means of collecting her three children from school.

Her emotions went from shock, to embarrassment and then anger. She had always left the day-to-day financial issues to her husband John. When he finally returned her call, he blustered that it was all the finance company's fault, as they hadn't recorded his payments properly.

Later that night, Maggie had it out with him. He eventually confessed that he had not paid the monthly instalments for more than six months.

Despite a combined gross annual income of more than £80,000, John had been in denial about the fact that their income was insufficient to meet their outgoings. This had resulted in a large overdraft, numerous unpaid bills and threats of impending court action that he had been struggling to hide from his family.

This is a true story of a couple who moved to our area of Suffolk from London, looking for a “fresh start” and a slower pace of life.

A fun and lively couple, they quickly made many new friends in the village. But behind the façade of bonhomie lay serious financial problems that would eventually lead to the end of their marriage.

It wasn't just John who was responsible for their financial predicament. It seemed to suit Maggie to ignore financial reality — had she taken more interest in their overall finances, perhaps things wouldn't have got so bad.

I remember admiring a new picture in their lounge. Maggie said she had paid £5,000 for it, splashing cash from a bonus she received from her part-time sales job. Had she and John communicated properly about their finances, she might have realised that it made much more sense to use her bonus to reduce their unsecured debts or build a cash reserve for emergencies.

As a source of stress and anxiety, it is no surprise that money problems are one of the biggest causes of divorce and relationship breakdown.

The term “lifestyle creep” describes the tendency of affluent people to increase their regular spending in line with their income, which inhibits their ability to build sufficient short-term financial resilience or long-term financial security.

There are many reasons for lifestyle creep but the most common is the need many people have for social acceptance: how they are doing compared to their peers.

Imagine that you could have any material possession you wanted — but there was nobody there to see it. Would you still be bothered about wearing designer clothes, driving an expensive car or having the latest smartphone?

Illusionist Derren Brown nailed this point in his book *Happy*: “When the desire to impress others is removed, we live a more authentic Epicurean existence.”

Particularly at this time of the year, people are bombarded with marketing messages that equate spending money with love, fulfilment and self-worth. Advertisements seek to generate anxiety in people which can only be relieved by making a purchase.

Few people ever stand back and ask themselves: “What does a good life look like to me, and what role does money play in that?” The key is working out what’s really important about money to you.

Understanding you and your partner’s money strengths and weaknesses is an important first step, but so is actually communicating with each other about them

Jason Butler

When I give talks on this subject, I am often approached afterwards by delegates who say: “I wish my spouse could have heard you speak, they really can’t control their spending and do not take any interest in our personal finances.”

It isn’t surprising that many couples struggle to communicate properly about managing their finances. We all have a different money persona which is based on our personality traits and our “money story” which develops through childhood.

Money coach [Syble Solomon](#) has developed a game called *Money Habitudes* to help people work out their dominant motivation (including planning, security, status, giving, carefree, or spontaneous).

She makes the point: “There’s no right or wrong — there are advantages and challenges to each dominant type. It’s simply a way of looking clearly at the situation and understanding yourself and each other better, with no judging involved at all.”

Understanding you and your partner’s money strengths and weaknesses is an important first step, but so is actually communicating with each other about them.

The sudden death at age 48 of one of my clients in 2013 laid the foundation for my own life reappraisal and eventual exit in 2015 from the financial planning business I founded 17 years before.

Earning a high income and having professional status and standing was no longer sufficient to make me happy. Helping a handful of rich people get richer didn’t answer a deeper need I had to make a positive difference to many people by helping them improve their financial wellbeing.

You might not be willing or able to change your job, so it might be what you do with the rest of your time that gives you your own true sense of worth and fulfilment. Hobbies, social interaction and proper family time need little or no spending, but can have significant payback.

If you meet new people over New Year, instead of asking them what they do for a living, why not

ask “what do you get up to?” or “what makes you happy?” This is much more likely to help you connect and get to know them as a person than the more judgmental question of their occupation.

To help you and your partner ensure 2018 is financially harmonious, you can download for free my 20-point financial wellbeing cheat sheet: <http://bit.ly/JasonButler>.

The author [Seth Godin](#) had it right when he said money is “the stories we tell ourselves”. Getting your own story right is the key to living a full life today which is rich in every sense of the word.

Jason Butler is a financial wellbeing expert and the author of Money Moments: Simple steps to financial wellbeing. Twitter: [@jbthewealthman](#)

[Copyright](#) The Financial Times Limited 2017. All rights reserved.