

The Real Cost of Living™

It May Be More Than You Think

A recent shopping spree lands you a new 60" Ultra HD TV (\$2,100) and an iPad (\$699) to boot. What a day! Total cost? If you said \$2,799, think again. Find out how much all those "little" purchases in your life may really be costing you.



The Real Cost of Gadgets

Thinking about purchasing a flat screen TV, a do-everything tablet, smart phone, or some other tech toy? In the previous example, spending \$2,799 today on that plasma TV and an iPad2 means you may not have \$7,427 on your balance sheet in 20 years. This is because that money will no longer be available to grow at net investment rate.

\$2,799 "one time" @ 5% Net in 20 Years = \$7,427

Because the hottest, newest gadgets are rolled out each year, the "spend" vs. "save" temptation is neverending. Now, expand this reality to include "losing" \$2,799 if, each year, you make similar spending decisions.

\$2,799 "each year" @ 5% Net for 20 years = \$97,179

You see, the cost of something is not just what the price tag says. It's that cost plus what you could have earned on the money had that new piece of technology never been invented. The long-term loss of wealth surrounding this simple fact can be staggering!

As you try to figure if you can afford it AND prepare for your financial future, make sure you include the above formula and also these six cost of living factors into your decision-making process.

Six Most Overlooked Factors

Inflation. The good news is that inflation has been at historic lows. The bad news is that even at 2-3% over long periods of time, inflation can have a devastating impact on wealth. A three percent annual inflation rate over 25 years can reduce the future value of an asset by 50%.

Taxes. Many people underestimate future taxes because they think only about federal income tax rates. All forms of taxes — not just federal — impact the Real Cost of Living™. Other taxes to consider include state income tax, local income tax, property tax, sales tax, Social Security tax, and Medicare tax.

The value of the dollar has
fallen **89%** since 1965.

Today you need **\$9** to buy
something that cost **\$1** then.¹

New inventions. As mentioned above, things we didn't even know we needed but now can't live without are thrust upon us at a staggering pace. Handheld computers, cell phones, iPads, GPSs, golf balls that fly further, and cars that park themselves simply didn't exist a short while ago.

There is more to say "no" to today than ever before. How does saying "yes" affect your financial balance? Where will the money come from to buy all the musthaves of the future?

Wear and tear. Washers, dryers, cars, rugs, furnaces and curtains can only last a finite amount of time before they have to be replaced. The cost to replace worn-out products can add significantly to your Real Cost of Living™.

Natural instinct to have a better life — today. We are hardwired to want an improved lifestyle. A new car. A bigger home. That boat, club membership, or special vacation we have been dreaming about. When one need is met, another develops. But when we deploy cash to give us a better today, our tomorrows may be compromised.

Unexpected life events. Life is not a straight line; there are bumps in the road. They may come in the form of a premature death or disability; college expenses that last six years instead of four; loss of a job; a flat stock market; assisted living expenses; private vs. public schools... etc., etc.

Unexpected life events often strike without warning and are a large part of the Real Cost of Living™.

A Balanced Perspective

When you think about making a significant purchase, it should be done in the context of knowing that you have your entire financial house in order. Impulse buying might feel good at the moment, but it might also be detrimental to your financial confidence.

Understanding and adhering to the Living Balance Sheet's 15 Rules of Financial Balance™, can help you make intelligent financial choices across the board. Experience the confidence that comes with knowing the "real cost" of spending and making decisions in the context of your overall financial situation.

Will you still buy the plasma TV and the iPad2? Maybe. Maybe you'll wait. Maybe you'll buy something else instead. Or, maybe you'll decide to use that money to protect against the Real Cost of Living™ and help yourself a sound financial future.

You may not know what
is going to happen,
but you can be assured
that something will.

1. <https://www.nerdwallet.com/calculator/inflation-calculator>, 2024

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