

# Avoiding Lifestyle Creep

## 6 Ways to Use Your Raise (or other additional income)

Lifestyle creep—also known as lifestyle inflation—is the tendency to increase your spending as your income increases. Don't let your next raise, bonus or extra source of income disappear into your monthly spending—use it to help your savings grow!

### *Before You Begin*

Your pay increase may be less than you expect after taxes and deductions—verify the amount you have to work with on your next paycheck.

### *Revise Your Budget*

A pay increase is the perfect opportunity to assess whether or not your budget accurately translates your life goals into financial ones.

## Ways To Use Your Raise

### *1. Pump Up Your Emergency Fund*

It only takes one unexpected expense to derail your budget. Use a raise or bonus to give you peace of mind by padding out your emergency savings. Aim to have three to six months' worth of expenses set aside.

### *2. Pay Off Debt*

Debt is stressful, it's expensive and it limits the amount of money you can put toward your life goals. After your emergency fund, high-interest debt repayment should take priority over savings and investments.

### *3. Boost Your Retirement Savings*

Putting additional income toward your retirement goals gives your

money plenty of time to grow. Use your raise to increase your monthly retirement savings—especially if your employer matches your contribution.

#### *4. Prep For Tax Time*

Changes in income can push you into a different tax bracket and/or affect your eligibility for certain credits and deductions. To avoid an unpleasant surprise at tax time, set aside a portion of your income to cover any increase in what you owe.

#### *5. Donate To A Worthy Cause*

Studies suggest that spending money on others makes us happier than spending money on ourselves. As a bonus, charitable contributions made to qualified organizations may be deducted from your taxes. Win-win!

#### *6. Treat Yourself (Wisely)*

Celebrate a raise or bonus without sabotaging your financial goals. Instead of a one-off luxury purchase, choose thoughtful upgrades that make a difference in your daily life. Hint: the best upgrades don't always have the highest price tag!

*Sources:* BusinessInsider.com, IRS, MoneyCrashers.com, PsychologyToday.com