

The Millennial Minute

Revisiting Millennial Budgeting Tips: Prioritizing Essential Expenses and Re-Evaluating Discretionary Spending

Written by Ashley Nichols – Client Service Associate for the Biddle Johnston Wealth Management Team

This month we continue revisiting June 2023's Millennial Minute article – Navigating Inflation: Budgeting Tips for Millennials in Today's Market.



Let's start off by beating the definition of inflation into the ground. **To put it plainly, inflation affects the purchasing power of money, cause prices to rise steadily over time.** Moderate inflation is a normal part of health economy (if wages can rise to meet it), high inflation rates can create significant challenges for individuals and families. This inflationary period, while not the highest we've ever seen (1979-1980 being significantly higher), as wages have refused to keep up with inflation since the 90s, we now have the largest wealth gap we've ever seen. It is this that

makes this inflationary period so hard for consumers – and why it is more important now than ever before to watch our dollars and keep track of where every penny we earn goes.

Prioritizing essential spending is crucial to ensure you aren't incurring a deficit every month, so we aren't relying to lending products with their high interest rates to coast us through these rough times.

The first step to this is to evaluate your fixed costs. Some payments we cannot reduce or escape from, and we need to continue paying them to avoid financial disaster in the future. Things like rent, mortgages, insurance premiums and loan obligations. While we can't change how expensive some of these costs are to us, we may be able to negotiate lower interest rates.

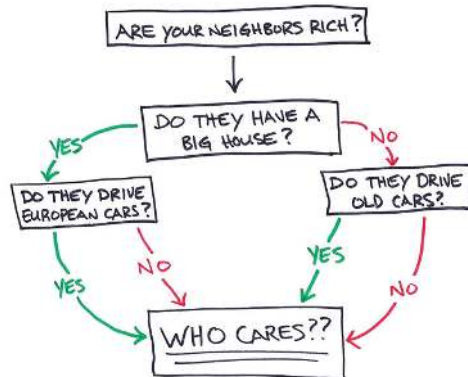
Is your mortgage coming up for renewal in the next 12 months? Shop around and see if there is a chance you could take your mortgage to another lender for a reduced rate – some lender may even cover the closing costs to move your business to them. Maybe you have an understanding landlord (I'm pretty sure there are some out there) who may hold off on rent hikes while you find your financial footing. Do you have more than one credit card, a loan, line of credit or a few other lending products? **Maybe you could benefit from a consolidated loan with a fixed monthly payment, which could ultimately be lower than paying all of your credit products separately?**



Next up to budget for is your necessities: food, utilities, transportation, and communication. Does your monthly income generate enough to cover these? If you're falling short by a little, you could look at cheaper food items, like no-name brands, discounted items, even social media can offer up fresh produce at cheaper than grocery store prices. On more than one occasion I've picked up produce from a Facebook Marketplace ad that was cheaper than going to the grocery store.

How about your phone bill? The major providers all have a subsidiary “cheaper option”, like Fido, Freedom, Chatr and Virgin. Though the coverage may not be as wide, your bill could be much cheaper than going with the bigger names.

Once you’ve gotten your fixed costs and necessities covered, it’s time to see what’s left over at the end of the month. Is it a lot? A little? Are you in the red every month? **Now is the time to start thinking outside the box when it comes to either saving money or making your dollar go further.**



One trend I’m seeing more among younger generations is minimalism. **Fading away are the days where we had to “keep up with the Jones’s” because it just isn’t financially viable anymore.** We’re buying less clothes to replace older items and instead learning to fix them or alter them ourselves to keep money in our pockets. More and more I see consignment and second-hand stores popping up with plenty of great condition items for any age, size, or gender. Second hand furniture and household items are a great way to save money. Lots of times we have things we just

don’t use, and one person’s junk is another person’s treasure!

Our vehicles are no longer the biggest and most luxurious on the block; with the cost of gas continuing to rise and our spending power diminishing, compact and practical has become the norm. Cars are becoming too expensive to drive and maintain, and when we have ride share apps, scooters and ebikes and regular scooters and regular bikes, vehicles are becoming less necessary than before. Ensure

When it comes to gift giving, opt for Secret Santa’s or even fixed budgets when buying gifts for family and friends. Instead of “stuff”, gift experiences like tickets to a show at a local venue, trial subscriptions, homemade food or clever homemade gifts that are both thoughtful and useful.

Meal planning is another big money saver. While it can seem like a daunting task, planning out at LEAST your dinners every week can change your grocery bill. You’ll buy only what you need in the ways of produce, so nothing gets thrown away from spoiling, meat from becoming freezer burnt, or dairy products curdling or growing green friends in your fridge. **Also, if you see a necessity at the store that is on sale – BUY IT.** Even if you don’t need toilet paper now, it could go back to \$35 for 8 rolls when you actually need it, as opposed to \$15 when you don’t.



Be sure to track your spending on necessities month to month, even if it’s just on a piece of scrap paper kept in your junk drawer, so you can see where you may be able to budget further.

Now, let’s talk discretionary spending. Discretionary spending is what you spend your money on that you really are able to live without. Things like streaming services, nights out at restaurants or bars, gym memberships, etc. **When faced with hard financial times, we sadly do need to draw back on spending on the gratifying things that puts smiles on our faces.**

If you’ve got the money at the end of the month to afford a few discretionary things AFTER you’ve put some money into savings, then by all means, spend what you like, but spend it wisely. **Delay your**

gratification when it comes to nonessential purchases – take a day or two to decide if it’s really something that brings value and isn’t just an impulse purchase. For subscription services, shop around and find the few that give you the most of what you want to watch/read/listen to and wait for promo specials on other services you want to try. Give yourself spending limits when going out with friends or find low cost or even free things to do when you’re together. Get creative! (This works well for date nights too!)

I’ve said it before, and I’ll keep saying it until we see a cooling of inflation, a REAL cost of living increase in wages across the board, or lower food prices... **NO ONE IS COMING TO SAVE US. We need to take our wealth into our own hands and learn to make it work through the good times and the bad.**

The opinions, estimates and projections contained herein are those of the author as of the date hereof and are subject to change without notice and may not reflect those of BMO Nesbitt Burns Inc. ("BMO NBI"). Every effort has been made to ensure that the contents have been compiled or derived from sources believed to be reliable and contain information and opinions that are accurate and complete. Information may be available to BMO NBI or its affiliates that is not reflected herein. However, neither the author nor BMO NBI makes any representation or warranty, express or implied, in respect thereof, takes any responsibility for any errors or omissions which may be contained herein or accepts any liability whatsoever for any loss arising from any use of or reliance on this report or its contents. This report is not to be construed as an offer to sell or a solicitation for or an offer to buy any securities. BMO NBI, its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold, or sell securities mentioned herein as principal or agent. BMO NBI -will buy from or sell to customers securities of issuers mentioned herein on a principal basis. BMO NBI, its affiliates, officers, directors, or employees may have a long or short position in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. BMO NBI or its affiliates may act as financial advisor and/or underwriter for the issuers mentioned herein and may receive remuneration for same. A significant lending relationship may exist between Bank of Montreal, or its affiliates, and certain of the issuers mentioned herein. BMO NBI is a wholly owned subsidiary of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Nesbitt Burns Corp. Member-Canadian Investor Protection Fund.