00:00:10:14 - 00:00:50:12

Speaker 1

Welcome, my name is Andrew Baron and this is Well… It Depends! The podcast where I address financial decisions that can't be answered with a simple yes or no. In this episode, I ask the question how much frugality is necessary? But before we begin a short disclaimer, this is being recorded on January 22nd, 2024. The contents of this podcast are strictly for informational purposes only, and nothing said be taken as investment, tax or legal advice.

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Speaker 1

It's important to consult with a professional before making any financial decisions as the strategies discussed may not be suitable for you specifically.

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Speaker 1

Getting into it. How much frugality is necessary? Well… It Depends! Frugality, a word that can conjure images of extreme couponing, living off the grid or not splurging on the extra cup of coffee. But how much frugality is healthy for your finances and your lifestyle? It's a fine line between saving smartly and missing out on some of life's joys.

00:01:32:06 - 00:02:00:18

Speaker 1

Let's begin by defining frugality. Frugality is not about spending less, it's about spending wisely. It's the art of prioritizing your spending on the things that matter most to you and cutting back on things that don't add significant value to your life. Being frugal isn't the same thing as being cheap. Being cheap is about spending the least amount of money as possible.

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Speaker 1

Often at the expense of either quality or ethics. On the other hand, frugality is about maximizing value, not minimizing cost.

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Speaker 1

But where do you draw the line? It begins with understanding your financial goals. Are you saving for retirement? Are you trying to get out of debt? Or are you saving for one of life's big events? Your level of frugality should align with these goals. Next, let's talk about the risks of being too frugal. Extreme frugality can lead to a scarcity mindset where you're so focused on saving every penny that you miss out on quality of life.

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Speaker 1

There is a mental cost to this. It can strain relationships, lead to unnecessary stress, and may even prevent you from making meaningful investments in your future.

00:02:58:14 - 00:03:23:14

Speaker 1

There's also the concept of false economy. Being so frugal that actually costs you more money in the long term. A simple example is to think about a cheap pair of shoes that needs to be replaced after a couple of months. Compare this to investing in a durable pair of shoes that can last for years. So how do you find the right level of healthy frugality?

00:03:23:16 - 00:03:53:04

Speaker 1

It's all about balance. It's okay to splurge if it brings you genuine joy or adds meaningful value to your life. The basic idea is to make these decisions mindfully, not impulsively. Budgeting also plays a crucial role here. Allocate your funds for both savings and for pleasure. This approach ensures that you're both saving responsibly and enjoying the fruits of your labor.

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Speaker 1

To recap frugality is about spending wisely, not minimally. Align your frugality with your financial goals. Be aware of the risks of extreme frugality such as scarcity mindset and false economy, and balance is key. It's okay to splurge, but do it mindfully. So to answer the question how much frugality is necessary?

00:04:23:18 - 00:04:25:20

Speaker 1

Well… It Depends!

Speaker 1: Andrew Baron, CFP®, EA