# What is Lifestyle Creep + Ways to Avoid it

Lifestyle creep is something that's simple to define, easy to see, yet hard to avoid. Especially prevalent amongst young professionals, lifestyle creep is a hurdle many face in saving for their short- and long-term goals, like retirement. Below we'll discuss what exactly lifestyle creep is and four ways you can work to avoid it.

## What Is Lifestyle Creep?

Lifestyle creep is the idea that as your income rises, so does your spending. It's often a naturally occurring financial issue, typically taking place gradually over long periods of time.

For example, if someone's yearly salary rises from $40,000 to $50,000, they may be inclined to eat out more, take an extra vacation, update their wardrobe, move to a new apartment, etc. The problem with lifestyle creep is the lack of putting that extra income toward retirement and spending it all instead. That means that while someone is earning more, they're not saving more.

## Four Ways to Avoid Lifestyle Creep

If you've fallen victim to lifestyle creep, you're not alone. And there are ways in which you can work to combat this financial phenomenon year-after-year.

### Way #1: Compare Your Personal Inflation Rate to the CPI

An effective way to figure out if you've succumbed to lifestyle creep is to figure out your personal inflation rate and compare it to the Consumer Price Index (CPI), which is the inflation rate set by the government.

Take a look at your spending from last year. Say, for example, that you spent around $60,000 last year, and this year you spent around $65,000. Your personal inflation rate from last year would be 8.2 percent. If the inflation rate from last September to this September was 1.5 percent, we can easily see your spending is well beyond simple inflation adjustments. That's a pretty big sign that you've experienced lifestyle creep.

### Way #2: Make a Budget

The big thing to understand about lifestyle creep is that it's different for everyone because it's all relative to how much you make versus how much you keep. If you're increasing your spending significantly but still putting a sufficient amount away towards your savings and retirement, then you aren't outspending your earnings. A good way to do this and avoid lifestyle creep is to make a budget. Building a budget and tracking your spending is an eye-opening way to see where all the money is going and how easily small purchases can turn into significant spending.

**Way #3: Plan For Your Next Promotion**

Seeing your paycheck increase significantly after a promotion or salary increase is exciting and exhilarating. But if you go into a significant salary increase without a plan, that extra cash could start burning a hole in your bank account. Before temptation strikes, come up with a game plan for your new earnings. Decide what percentage of your increase you'll be putting directly into savings and how much you'll be leaving as new discretionary income. Move forward with your plan as soon as the increase goes into effect, making the transfer into savings automatic if possible. This way, you won't even have to decide month after month whether to save or spend.

**Way #4: Don't Forget to Enjoy Your Earnings**

You work hard for promotions and salary increases, and you should get to reap the reward of your efforts. Don't try to deprive yourself completely when you receive a pay increase, especially when you're creating a new budget that's adjusted for your new salary. Give yourself a little wiggle room to spend, and practice spending with intention. For example, instead of making a couple of impulse purchases here and there, save that extra money to spend on a weekend trip with your loved one.

Lifestyle creep can occur so effortlessly that you don't even know you've experienced it until you look back and assess your previous spending. And while receiving more money month-after-month is exciting, the key is to focus on saving what you need to for retirement and other large financial goals before spending your extra earnings.

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