

KNOWING YOUR NEEDS AND WANTS

Introduction

What makes us spend? Knowing the factors that influence our spending will help us make better decisions on how we use our money.

Many young people are very much influenced by their friends and peers. They are pressured to spend to impress their friends. Others are taken in by media advertisements. Teenagers between the ages of 13 – 18 are one of the most highly targeted markets for consumer electronics. According to a 2005 study by the Consumer Electronics Association of America, "more than half of American teenagers will spend more than USD 100 on their next consumer electronic purchase, and a quarter, more than USD 200.

The top four electronic products teens want as gifts are laptops, mobile phones, MP3 players and videogame consoles." (www.medialiteracy.com/stats_consumerism.jsp). Still others spend because of addictive habits such as smoking and alcohol. According to a 1996 Ministry of Health Survey, "there were 2.4 million smokers in Malaysia.

The number of male smokers had increased from 41% in 1986 to 49.2% in 1996" (The Sunday Star, July 18, 1999, p.11). In the 1986 survey, 79% of those who smoked were males between the ages of 15 – 24 years (Ministry of Health; www.prn2.usm.my/mainsite/tobacco/statistic.html#epidemik)

How do you define your "needs" and "wants"?

When looking at the nature of these influences, we are confronted with another question. How come these influences such friends, the media, and addictive habits have such an impact on our decision to spend?

Part of the answer lies in our perception of what we believe we NEED. A NEED can very simply be defined as what we don't have or don't have enough of and the goal of our actions is to get enough of it for our peace of mind or satisfaction.

NEEDS, therefore, motivate us to act. Humanist psychologist, Abraham Maslow came up with a theory that categorized our needs, from primitive to advanced, according to a hierarchy.

In Maslow's view, needs at each level of the hierarchy must be satisfied before the next level can be achieved, as seen in Figure 1 where Biological needs is the lowest needs whilst Self-actualization needs is the highest.

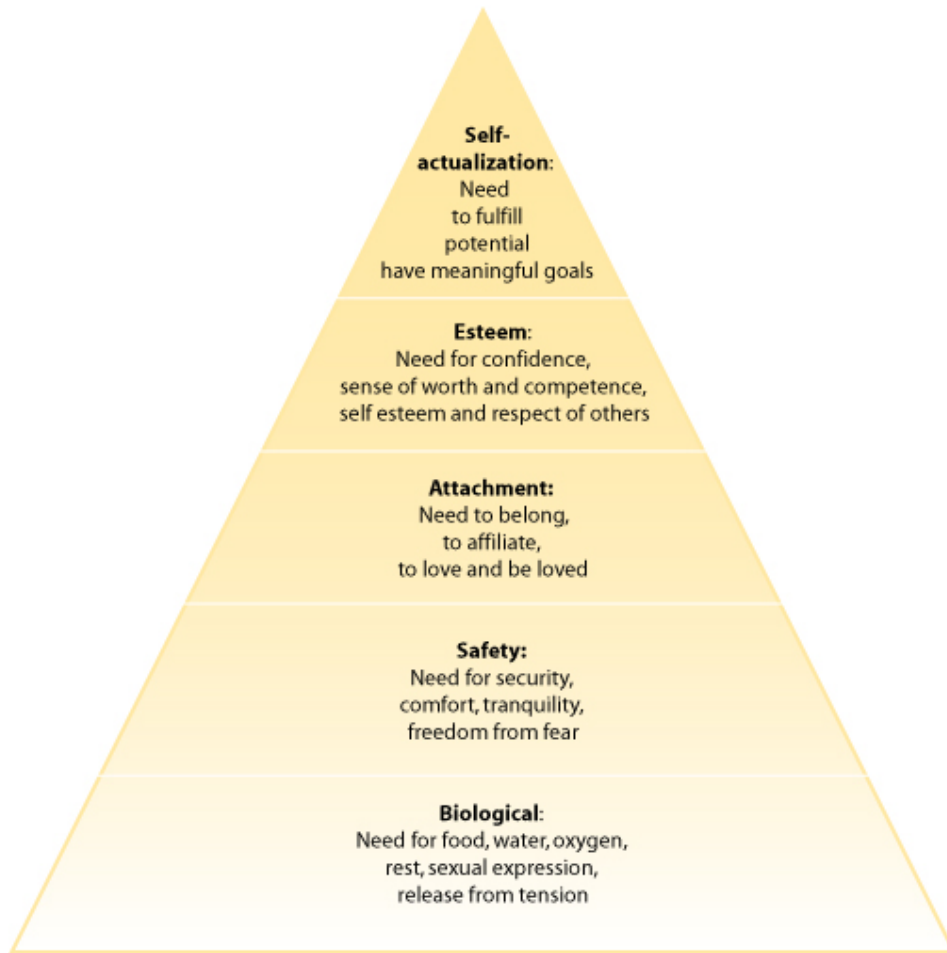


Figure 1 – Maslow’s Hierarchy of Needs

In Maslow's view, the needs at each level of the hierarchy must be satisfied – the needs are arranged in a sequence from primitive to advanced – before the next level can be achieved.

When biological needs are pressing, other needs are put on hold and are unlikely to be influence your actions. When they are reasonably well satisfied, the needs at the next level – safety needs – motivate you to meet the needs. And you move up the hierarchy according to the priority of needs as stated in the Maslow's Hierarchy of Needs diagram.

How do these needs impact on our spending behaviour?

When our need for food is not satisfied, we will have to act to survive. There is no question about that. We all NEED to eat to live (*a Biological Need for survival for the person*).

What we eat however is a choice many of us have. We can eat a simple but balanced meal in an “economy rice” place or we can eat at a “nice cafe”. Here lies the difference between what we need and what we want. We need to eat but we do not need to eat at a place that would cost us 5 times for the similar kind of food.

We might WANT to do that because the food tastes better at this nice restaurant or café, and the environment is cleaner (*a Safety Need for health for the person*), or because I am bringing my girl-friend out for a date (*an Affection Need for love for the person*), but we have to be clear with the difference.

Eating at the nice dining place or restaurant or café is something that I do not NEED to do in order to survive. It is just something I might WANT to do IF I have the money to spend and I want to give myself or my girlfriend a treat but it is not something I need to do to survive.

Another example of this would be the kind of hand-phone I want to get for myself. I do not need to buy the latest and most expensive phone (or with 3G feature) for me to connect to another person (*an Affection Need to be connected or be affiliated with people and friends*).

It would be nice to have that only if I can afford the latest electronic gadgets. However, if my current phone already serves me well and I am using it to only send SMS's and make calls most of the time, I have to ask myself the question; "Why do I perceive this need to upgrade?"

Is it because my friends have the latest phone and I want one too...i.e. do I NEED one to be affiliated with people (*a Affectionate Need for friendship*) or feel good in the living a lifestyle (*an Esteem Need to be the same with my friends or due to peer pressure*) of using the latest electronic gadget?"

If we do not check our reasoning of our "REAL" NEEDS, according to the hierarchy or priority of needs, and develop a healthy sense of who we are, chances are we will make the mistake of making our wants into needs and end up spending more than we can afford.

Types of WANTS

Be mindful that there are 2 types of WANTS i.e. "nice to have" and "must have". You can analyse the difference between these WANTS by asking yourself: "What will happen if I don't get what I want?" Will I be worse off personally or financially and how will I feel?"

Knowing the difference of an important NEED, a "Must" have WANT and a "Nice" to have WANT, will make significant impact on your spending behavior and eventually your financial future.

Your decision making process in deciding what are the important NEEDS or WANTS that you must have is most important when comes to budgeting your monthly spending.

Spending Wisely - Can you afford to spend on your NEEDS and WANTS?

No matter how important is your NEEDS or WANTS that you want to have, if you need to spend money to buy, it is important for you to ask an important question: "Can I afford to spend money to buy it?"

If the answer is "No, I cannot afford to spend money to buy it", then you need to reassess the priorities of your needs, according to Maslow's Hierarchy of Needs. If the answer is "Yes, I can afford to spend the money to buy it", then you need to consider if you can spend less than what you have budgeted for so that you have more money for your savings.

The solution for you to get what you NEED or WANT has to be a sensible choice and not a choice that will create financial difficulties to yourself and others. Otherwise, you are not being a responsible person in managing your personal finances and create financial burden to others like your family, siblings, friends and other people.

Any financial mean that you have to buy your NEED or WANT has to be properly analysed and not resulting into financial debts that you cannot repay.

How to delay satisfaction or gratification for your NEEDS and WANTS

There are times where you have to decide if you can delay your decision to spend your money to meet your NEED or WANT.

It is about delaying your self satisfaction or gratification of meeting your needs and wants. By doing so, you will be able to manage your money wisely and not spending money due to peer pressure, living lifestyle, impulsive actions, influences from friends or people, media, Internet or technology influences or wrong decision due to situations or circumstances.

It is wise to take time to analyse your NEED and WANTS and ask if it is necessary to spend and is it within your affordability, not forgetting that you have to save money for the future and meet some of the financial goals that you have made.

Deciding on the important NEEDS or WANTS by prioritizing the nature of NEED and WANT is a sensible and logical step to take when you have financial goals in life that you want to meet. Take your time to find out more about the NEEDS or WANTS that you want to spend money on.

Choices or substitutes for your “needs” and “wants”

While you need to, have to, want to or desire to fulfill your NEEDS and WANTS, there are times in life where you need to choose and make a decision that you will be responsible of it.

There are choices to be made like are you able to forgo the NEED or WANT by not having it at all or replacing with cheaper substitute or only have it at a later time or later in life? How about recycling some of your old stuff, buy second hand goods or share the cost of buying with people whom you can trust (that they don't create trouble of ownership).

It is wise to look into different choices and substitutes of your NEED and WANT since these days, there are so many choices of similar products and services, that can be better in quality, model and design.

You need to do some research, read more and make comparison, talk to more people and friends who may be more informed of the choices in the market place.

Sometimes, if you change your self-perception and your belief, your thoughts and feelings towards your NEEDS and WANTS, the situation or environment you are in or friends you mix with or hangout with and people you meet, you will find that some of your NEEDS and WANTS will no longer be a NEED or WANT to spend or you may find better substitute or choice.

Critical Thinking and Review Exercises and Assignments for Knowing Your NEEDS and WANTS

To help you understand the definition of Your NEEDS and WANTS, and to decide if you are spending wisely and within your affordability, you need to do the following exercises and assignments:

Exercise 1: Personal Activity

As an individual exercise, use the **Needs and Wants Activity Worksheet** (refer to the sample Needs and Wants Activity Worksheet format at the end of this article) to list out your NEEDS and WANTS.

Then, read through the rationale you have written for your Needs and Wants. Ask for suggestions and ideas from your friends, loved ones, family members or people whom you are comfortable how to improve on your needs and wants so that you can spend wisely.

Exercise 2: Questions for Personal Reflection

Based on your **Needs and Wants Activity Worksheet**, before you spend your next dollar, here are some questions you might want to ask yourself and reflect on. It can help you spend wisely and save for your future.

1. Is what I want to spend on a NEED or a WANT?
2. Do I have what I need or want now in my personal belongings at home or elsewhere?
3. Is it something extra or replace what I have lost or damages?
4. Would spending on this NOW, in this manner change my life in a meaningful way?
5. If yes, how long will this item last me?
6. Can I afford to spend money to get want I need or want now?
7. Can I delay spending money to get what I need or want now?
8. Is there an alternative but cheaper way of spending that can help me save or get more value for my money spent?
9. Is it possible to wait for prices to go down or wait for days when there is a sale going on, before I spend on an item?
10. Are there possible ways to get want I need and want without having to spend money, and it is the legal way of getting it?
11. Can I make the item?
12. Can someone teach me how to make it or Can I forgo not getting what I need or want?
13. If I forgo, what will be the outcome? Will I be happy or I will regret?

Exercise 3: Case Study for Self Practice

You are required to help Kamil to identify his Needs and Wants (nice to have and must have) during his stay in Kuala Lumpur.

Kamil lives with his family in Tampin since young. He goes to a secondary school near his house. His father gives him a motorbike for him to go around in town and to school. He likes his motorbike and treats it with care because it is his only means to go out with friends.

Since he stays with his parents, he eats at home but he likes to hangout with his friend at the mamak stall most nights. He gets to enjoy the luxury of home comfort with TV Astro, sleeps in air conditioned room, eats mother's favourite cooking and spend most of his time with his computer, playing computer games or chatting online with friends. Occasionally, he spends time with friends in cybercafés.

Because of his good results for STPM examination, he is fortunate for get a scholarship to study a Degree in Computer Science, in a local university located in Kuala Lumpur.

Since the scholarship is only for academic fees, Kamil's parents have to pay for Kamil's living expenses like accommodation and food. Kamil doesn't have any friends in Kuala Lumpur.

He is not sure where to stay, whether to stay in the hostel or outside the University. At the same time, he wants to be in touch with his family on a regular basis. He is very close to his parents and siblings.

He is sad that he will not get to enjoy the comfort of home anymore. On the other hand, he is looking forward to live in Kuala Lumpur to enjoy city life and make new friends, especially when he often hears from his friends that KL has many fun things to do.

Since this is the 1st time Kamil leaves home to stay by himself, he needs some advice of how to budget for his monthly living expenses.

Imagine you are in Kamil's situation, can you identify his needs and wants for his stay in Kuala Lumpur and how would you help him to prepare his monthly budget. You can use the Needs and Wants Activity Worksheet to analyse Kamil's needs and wants during he stay in Kuala Lumpur.

I would love to hear from you, your experience and views of your money experience, please email to info@abacusformoney.com.

Sample of NEEDS AND WANTS Activity Worksheet

You can use the format of the NEEDS and WANTS Activity Worksheet to make a list of all your spending.

Preparing this worksheet and writing down the rationale for each spending item, can help you prevent impulse spending. You will also be able to consciously decide on what your needs are, and what are the wants that are “nice to have” and “must have”.

List all the things you would like to own; put down many items that you can think of and want to buy or spend your money on.	Classify items as a “Need” or “Want”. If it is a “Want”, classify it as either “nice to have” or “must have”	Prioritize the item as “Needs” Or Wants” Rank according to priority, with “1” as the highest that you will spend money	Write down your remarks for the following: a. For items that you NEED, consider possible choices or substitutes that are more affordable, or whether you can forgo the need. b. For “MUST HAVE” items that you want – write down possible ways you can forgo it, or find substitutes that you don’t have to spend money on and you can afford only after your NEEDS are fulfilled. c. For “NICE TO HAVE” items that you want – write down possible ways that you can forgo the item or find cheaper substitutes that does not require you to spend money and you can afford only when your NEEDS and MUST HAVE are fulfilled
<p>EXAMPLE:</p> <ul style="list-style-type: none"> ➤ New mobile phone ➤ Hi fi set ➤ New TV set ➤ New dress 	<p>Need – need of safety</p> <p>Want – nice to have</p> <p>Want – must have</p> <p>Want – nice to have</p>	<p>2</p> <p>-</p> <p>-</p> <p>-</p>	<p>Communication with family & friends, less than RM700</p> <p>Can substitute with iPod. Save now</p> <p>Buy smaller TV when clearance sale. Save now</p> <p>Can share wardrobe with my sister</p>

➤ Upgrade PC	Need – need for work	3	Run out of memory space. Need to buy now
➤ Upgrade camera	Want – nice to have	-	Can download pictures to PC, no need to buy
memory card		-	
➤ Buy a Car	Want – must have	-	For work, choose car pool. Save for 2nd hand car
➤ Join gym	Want - must have	-	Exercise is important, can go for evening jog
➤ Join friends for	Want – must have	-	Reduce frequency; only once a week & limit to RM50
weekend drinks		-	
➤ Buy gift for friend's	Want – nice to have	-	Ask friend what she needs, look for less expensive gift
birthday		-	
➤ Take up another course	Want – nice to have	-	Will wait for next year. Save now for fees.
➤ Buy new watch	Want – nice to have	-	one watch, buy dress watch cost less than RM100
➤ Buy iPod	Want – must have	-	Buy only with extra cash or savings. Save now
➤ Dinner with friends	Want – nice to have	-	Choose affordable place & consider how much to spend
➤ Take a holiday in	Want – nice to have	-	Look for cheapest airfare and stay in budget hotel
Phuket			
➤ Buy computer notebook	Want – must have	-	Buy at PC fair. Save now
➤ Charity and Donation	Need	1	RM30 monthly, donate to orphanage home.