

Save or Spend?

Dick Greco, Managing Partner – Senior Financial Advisor at Wells Fargo Advisors Financial Network, LLC, says when it comes to spending splurges, critical thinking and introspection are in order, not only about the financial impact of the splurge, but also about the deeper, emotional meaning. That's because while he generally thinks spending splurges aren't truly "worth it" from a financial standpoint, he just fulfilled a dream he and his father shared — owning a boat. He says, "When I talk to clients, I ask them, 'What are your dreams? What have you always wanted to do?' I don't criticize people for what they want to do. I try to figure out a way to show them how they can do it."

Lee Shapiro, a licensed clinical psychologist and professor at Santa Clara University, says he understands where Greco's thoughts originate. "If the splurge is in line with your values, it probably is of great benefit," he says.

Making the case for spending

Common advice from financial planners typically is to save, invest, and limit spending on nonessential items. But some financial planners and psychologists believe while that advice makes sense in most situations, there are merits in the occasional expensive purchase – even though those benefits likely are not financial and may be difficult to quantify.

There's abundant research showing when discretionary income is used for experiences rather than things, people are much more satisfied. Shapiro gives a personal example: trips to New Zealand and Alaska he took with his family that his two children, now grown, still reminisce about 15 years later. The experience tends to be more precious if these types of trips aren't common experiences, he adds.

But not every expert shares this opinion. Kit Yarrow, Professor Emerita of psychology and marketing at Golden Gate University and author of *Decoding the New Consumer Mind: How and Why We Shop and Buy*, says an elaborate vacation may not be the best splurge, since a vacation doesn't need to be expensive for it to be worthwhile and create memories. She says there's often so much pressure to have fun when everyone knows how much you've spent on a trip that it makes it difficult for the experience to live up to the hype. "Great vacations are about the people you're with, not the money you've spent," she says.

Reconciling spending

A happy medium seems to be finding times to splurge without putting a huge hole in your budget. Greco says that you always need to look at the basics first — make sure you have an estate plan and analyze where you are from a debt and cash standpoint — and then figure out if you can afford your splurge.

"There's no such thing as a right decision," he says. "People are very afraid of making decisions to meet their dreams unless someone can validate that decision." One way to do that, he says, is

consider alternate uses of your spending splurge. For his boat, for example, he realized his wife can host charitable events on it, he can bring clients on it, and it's a great way to spend time with his family.

Yarrow says there's a fine line between capitalizing on an opportunity and rationalizing a splurge you shouldn't be making, especially if it comes at the additional cost of taking on debt. Still, she says there are situations where spending more is better. She says it doesn't make sense to purchase cheaply made goods that won't last; a better option is to spend more money on quality products that won't need to be replaced as quickly.

But even though she advocates debt-free living and being smart about your spending, Yarrow admits that sometimes, if you get too obsessed about saving, you can miss out on other opportunities.

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