

Why Think of Needs Wants?

Why do consumer education and financial literacy classes begin by looking at needs and wants? It's a simple concept – nothing new. It is always easiest to begin a journey with what we already know.

There are some things we all must absolutely have to survive: food, water, shelter, clothing, other people. These are the “bare-bone” minimums. Some of us will be happy with the bare necessities, but all of us will sometimes want to have a more.

If needs are what we must have, wants are the things that make us happier. I need transportation to live in modern society. I may not be able to walk to work. There may not be any public transportation. In this case, I need a car, but I might want a new car – something fancier and more expensive that gives me a more comfortable ride lets me take in owning it.

If we make a list of things we need, we can almost always identify ways to meet them with something better, fancier, more fun, or more stylish. I do not need the latest, greatest, biggest, and the best things that I might want. I can meet needs in simpler, less expensive ways.

Life is about compromises. It's true, “ya can't always get what you want.” As consumers, we all learn this is true. Even wealthy people learn that some things cost more than we are willing or able to pay. When consumers face buying decisions, it is helpful to think about compromises.

How much do I have to spend to meet my needs? When spending money, we can ask ourselves whether or not we can afford what we want or if we should save money by settling for things that give us what we need.

We don't have unlimited funds. When we work for a living, we work hard, so we should spend carefully. Remember, every dollar we don't spend or that we save is just as valuable as a new dollar we work hard to earn.

We can learn to spend carefully – wisely – by understanding the things we need to have and the things we want to have, but that we can do without. There are some things we all need. There are things we need to buy and pay for. Financial literacy begins by understanding this.

There are many things we want and these can be fun to buy. The question is, am I better off to not spend that money?

Are there purchases I can do without? Should I buy some of the things I want later instead of now? Remember, when we live within our spending plan, we can be patient. We will find opportunities to buy things later. It pays to wait and buy things when we find great values.