It’s OK to Spend Some of Your Hard-Earned Savings

Loosening the purse strings a little can be good for your emotional health

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Philip Ramms was having lunch recently when he balked at ordering an iced tea that would bump his $15 tab up closer to $20. Then it hit him: “I’ve got money. I can have iced tea.”

Ramms (who prefers using this pseudonym) was raised in a working-class neighborhood in Queens, New York. As a grownup, he worked at an investment firm, saved his money, started buying co-ops at bargain prices in Manhattan in the 1980s, and eventually bought two six-story apartment buildings near Central Park. Today he’s a millionaire. But his working-class habit of saving every dime never left him.

Many people over 70 still cling to lifelong patterns of parsimony, says counseling psychologist Nancy K. Schlossberg of Sarasota, Florida. Often they were raised by Depression-era parents who drilled saving into their brains, making it difficult for them to ever spend on themselves. The subliminal messages from childhood took deep root: Don’t indulge too much. Be careful with money. What if your investments plunge?

Schlossberg isn’t talking about those of us who see frugality as vital to safeguarding our long-term security. She’s referring to financially secure people like Ramms for whom aggressive saving is more of an obsession. Such people, she notes, often derive a sense of security from having a big number on a sheet of paper representing their net worth and don’t want to see that number shrink, even with inevitable market ups and downs. Others have an irrational fear that if they start acquiring things, they won’t be able to stop. Still others just have a deep feeling that they haven’t “earned” the right to indulge themselves, she says.

Of course, some have laudable goals, like saving for their grandchildren or someday making a meaningful charitable contribution to a museum or orchestra.

However, living a little can be good for your emotional health, Schlossberg says. The key is to know when that is appropriate and when being cautious with money makes sense.

Patti B. Black, a financial planner at Savant Wealth Management in Birmingham, Alabama, says for people 70-plus, the “4 percent” rule of thumb can offer a snapshot of what they can afford to spend on indulgences. Essentially, it says that if Social Security and other fixed income streams are covering your monthly costs, you can safely withdraw 4 percent of your retirement investments each year. For example, a couple with $500,000 in investments can spend $20,000 a year beyond the quality of life afforded by Social Security and other fixed income.

Black says, “No one is guaranteed tomorrow. If there’s something you want to do, like a cruise or a trip, come up with a plan to make that happen.”

Schlossberg urges those squeezing every buck to “reframe their thoughts” around a balanced life. “If you have a good handle on your financial resources, spend some money. Indulge yourself,” she says.