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What is Needs vs Goals

Understanding Needs vs Goals for Smart Financial Choices

DEFINITION

> Needs are essentials for survival, while goals are desired achievements or aspirations. Recognizing the difference helps in making better financial decisions.

KEY CONCEPTS

Basic Needs

These are things necessary for survival, like food, shelter, and clothing.

Wants vs Needs

Wants are items that are nice to have but not essential, like toys or games.

Financial Goals

Goals are specific objectives you want to achieve, such as saving for a bike.

Short-term Goals

These are goals you plan to achieve soon, like saving for a video game.

Long-term Goals

These are goals that take longer to achieve, such as saving for college.

EXAMPLES

→ Buying groceries is a need, while getting a new phone is a goal.

→ Saving for a vacation is a long-term goal, but buying a snack is a need.

→ Paying rent is a need, while wanting a new bike is a goal.

MEMORY TIPS

★ Remember 'Needs are for living, Goals are for dreaming.'

★ Use 'N' for Needs and 'G' for Goals to differentiate.

★ Think of a pyramid: Needs at the base, Goals at the top.

COMMON MISTAKES

✗ Confusing wants with needs, leading to poor budgeting.

✗ Setting unrealistic goals without considering basic needs.

✗ Neglecting to prioritize needs over goals.

QUICK RECAP

Needs are essential for survival, while goals are aspirations to achieve. Understanding this difference helps in making informed financial decisions and prioritizing effectively.