

## Smart Money: Do you drink your coffee at home?

Brad Brain

Feb 7, 2022 4:25 PM



*Brad Brain: "I am not saying that you should not be mindful of your small spending decisions, but rather don't be lulled into a false sense of progress by obsessing over little expenses if you are not equally as diligent with the big ones. Cutting out a five-dollar expense saves you... five bucks. That good work won't mean much if you*



I keep seeing this idea that to retire wealthy you need to drink your coffee at home. In other words, if you have a \$5 a day coffee habit, instead of buying the fancy gourmet triple lattes with cinnamon, you brew your own coffee at home at a fraction of the cost. Then you take that money that you save on coffee and invest it, and you could be on your way to riches. By investing just \$150 a month and getting an 8% return, over 40 years you accumulate more than half a million bucks.

So, is it really that simple? Well, sure, every bit helps, but let's be realistic here. We are talking about five bucks a day.

Still, there are some very good messages that we can pull from this general idea, and the proper implementation of these concepts can pay big dividends.

One of the key messages is to live within your means. This is the number one key to financial success. While a five dollar a day expense will probably not break you, the accumulation of all your spending might.

Another worthwhile message is dollar cost averaging. Dollar cost averaging refers to investing a regular amount on a regular basis, for example \$150 per month. It can work great for two reasons. The first is math; by buying every month you will catch the times when the price fluctuates down, which reduces the average cost that you pay for your investment, which leads to bigger gains. The second reason dollar cost averaging works is human nature; by automating your investment plan you may find it easier to stick to.

Seeking good growth from your investments is important. You can accumulate a respectable nest egg by compounding your money, but you won't come anywhere close to 500K if your \$150 a month is sitting idle.

Another key element to this is time. The reason that just skipping the fancy coffee could lead to pretty decent wealth is that we are looking at decades of accumulation. Don't procrastinate. The longer you wait to get started, the smaller the results.

So, all these messages are good. But, still, we are talking about five dollars a day here.

The problem is that we can do good things by drinking coffee at home at investing the cost savings, but then obliterate our progress with big ticket financial decisions. It's like working hard in the gym to burn some calories, but then gorging on junk food. All that good work that you did can be offset, or even erased, by a larger decision.

The key to getting the results you want is probably not reliant on five dollars a day. After all, how much does five bucks matter if you trade a perfectly good two-year-old truck in to buy a new one? How much does five bucks matter if you drop \$2000 on some gadget you don't really need? What is five bucks compared to splurging on top-of-the-line sports equipment that sits in the garage collecting dust? How does five bucks make up for a \$60,000 RV that you use twice a year?

I am not saying that you should not be mindful of your small spending decisions, but rather don't be lulled into a false sense of progress by obsessing over little expenses if you are not equally as diligent with the big ones. Cutting out a five-dollar expense saves you... five bucks. That good work won't mean much if you binge on a thousand bucks on something else.

Here is where things get tricky. The big expenses are not just more impactful, they are also more emotional. We feel entitled to that new truck. We want that \$2000 gadget. We tell ourselves we need the top-of-the-line sports gear. We figure we deserve the \$60,000 R.V.

The path forward is to focus on what is really important in your life, and act accordingly. Don't forget those good messages; live within your means, set up your investments on a monthly investment plan, seek good growth on your investments, and get started early. But also don't negate that good work with big ticket expenses that are not consistent with your objectives.

---

*Brad Brain, CFP, R.F.P., CIM, TEP is a Certified Financial Planner in Fort St John, BC. This material is prepared for general circulation and may not reflect your individual financial circumstances. Brad can be reached at [www.bradbrainfinancial.com](http://www.bradbrainfinancial.com).*

---

**Comments** (0)