



**Adviser Corner** March 12, 2024

# The Importance Of Managing Your Own Personal Cost Of Living

Skybound Wealth's Max Gerstein looks at the importance of employing a structured approach to all areas of your finances, not just investing.

## Adviser Corner

With Max Gerstein  
Financial Adviser



**In today's economy, managing your personal cost of living can often feel challenging. However, achieving financial stability isn't merely a game of chance; it's about employing a structured approach grounded in fundamental principles.**

Max Gerstein, Financial Adviser at the award winning Skybound Wealth Management takes a look at the importance of employing a structured approach to all areas of your finances, not just investing.

The primary challenge expats face isn't just the increase in living expenses; it's the lack of a clear roadmap to address them. From essential expenditures such as rent or mortgage payments to discretionary indulgences like entertainment and dining out, financial obligations can often overwhelm individuals and lead to a pay check-to-pay check lifestyle with little room for savings or investments.

Fortunately, there's a solution: the 50/30/20 rule. This rule suggests allocating 50% of income towards essential needs, 30% towards savings and debt reduction, and the remaining 20% towards discretionary wants. Meticulously tracking income and expenses is essential to avoid overspending and missing opportunities to reallocate funds towards savings or debt repayment.

## **Curb Your Outgoings**

Housing costs are typically the largest monthly outgoing for expats in the UAE. Optimising mortgage terms or considering more affordable housing options can help adhere to the 50% allocation for needs. Transportation represents another significant expense. Opting for cost-effective modes of transportation, such as public transport, can make a difference in the budget.

Similarly, prudent management of discretionary spending is crucial to alleviate financial strain and adhere to the 50/30/20 rule.

## The Power Of Saving Regularly As An Expat In The UAE

Dedication to disciplined saving can yield substantial rewards over time, offering a path to financial security and peace of mind.

Now, let's consider the impact of [saving regularly as an expat in the UAE](#). With a monthly income of \$5,000 USD and savings of \$1,000 USD per month allocated to investments, the potential growth over time is significant, underscoring the importance of disciplined financial planning and adherence to the 50/30/20 rule for long-term financial security.

Now, let's consider the impact of regular saving. With a monthly income of 20,000 AED and savings of 6,000 AED per month allocated to investments, George invested a total of 1,080,000 AED over the 15-year period. The potential growth over time is significant. Disciplined financial planning and adherence to the 50/30/20 rule are essential for long-term financial security.

Assuming an annual return rate of 5%, the future value of your savings after 15 years would be approximately 1,413,362 AED. This underscores the importance of consistent saving and prudent investment for achieving long-term financial goals.



## Case Study:

Meet George, an expat who relocated to Dubai for a job opportunity. George initially struggled with the city's high cost of living but decided to implement the 50/30/20 rule to regain control of his finances.

George began by meticulously tracking his income and expenses using a budgeting app. With a monthly income of 20,000 AED, George allocated 10,000 AED (50%) towards essential needs, including rent, utilities, groceries, and transportation. By recording his expenses on the app and setting monthly limits for each category, George ensured he stayed within this budgeted amount.

For savings and debt reduction, George allocated 6,000 AED (30%) of his income towards building an emergency fund and paying off his student loans. He set up automatic transfers to his savings account and made extra payments towards his debt to ensure consistent progress towards his financial goals.

The remaining 4,000 AED (20%) of George's income was allocated for discretionary spending, including dining out, entertainment, and personal purchases. To stay within this budgeted amount, George set limits on how many times he could eat out each month and tracked his discretionary spending closely using the budgeting app.

By being mindful of his spending in these areas and prioritising experiences over material possessions, George was able to maintain financial discipline while still enjoying a balanced lifestyle.

**As a result of his disciplined budgeting and adherence to the 50/30/20 rule, George experienced a significant improvement in his financial well-being. He felt more in control of his finances, had a growing savings account, and reduced his debt burden.**

## **Key Takeaways and Practical Tips:**

- 1. Track Your Income and Expenses:** Record monthly income and expenses to identify areas for adjustment.
- 2. Prioritize Essential Needs:** Allocate 50% of income towards essential needs like housing and transportation.
- 3. Save and Invest Regularly:** Dedicate 30% of income towards savings and debt reduction. Explore investment opportunities for growth.
- 4. Limit Discretionary Spending:** Reserve 20% of income for discretionary wants, but be mindful of overspending.
- 5. Review and Adjust:** Regularly review your budget and make adjustments as needed to stay on track towards financial goals.

By following these principles and implementing practical strategies, individuals can manage finances effectively and work towards long-term financial security. For personalised guidance, a consultation is available to address individual needs and goals. Let's work together to secure a stable financial future amidst the opportunities and challenges of expat living.

Having moved to Dubai in 2018, I have first-hand experience of the opportunities, and pitfalls the expat lifestyle presents. If you would like to arrange a complimentary consultation to discuss how you can secure your perfect future, click the button below.

Book A Consultation With Max Now

Get In Touch Today

## **About Max Gerstein**

Max Gerstein is a seasoned financial adviser with an exceptional track record spanning over five years. With a diverse professional background that includes working in prominent financial hubs such as Geneva and Dubai, Max has honed his expertise in navigating various jurisdictions and catering to a global clientele.

LinkedIn - [linkedin.com/in/maximillian-gerstein-89568a13a](https://www.linkedin.com/in/maximillian-gerstein-89568a13a)