

# APNA SAPNA MONEY MONEY

KNOWLEDGE SERIES



TRUST | GROWTH | LEGACY

*By NikWorth Investments*

## Chapter 3

# The Income Illusion: Why Salary Hikes Don't Make You Rich

*"It's not how much money you make, but how much money you keep."*

— Robert Kiyosaki

### The ₹2.1 Crore Paradox

Manish stared at his laptop, chai growing cold beside him. The numbers didn't make sense. ₹2,14,00,000—that's what he had earned in the past decade. Yet his true net worth, after accounting for car loan and credit card debt, was barely ₹6 lakhs.

*Where did two crore rupees go?*

I met Manish, 35, at a financial planning workshop in Bengaluru. He's a Senior Engineering Manager earning ₹40 LPA—up from ₹8 LPA a decade ago. Sitting nearby was Divya, 36, a marketing manager from Chennai earning ₹22 LPA. Same starting point, same timeframe. Her net worth? ₹67 lakhs. Zero debt.

Manish earned ₹80 lakhs more than Divya. Divya accumulated ₹61 lakhs more in wealth.

A 2023 DSP Mutual Fund survey found that 67% of Indians earning above ₹15 LPA have less than six months of expenses saved. Two-thirds of high

earners are one job loss away from crisis. If your bank balance doesn't match your LinkedIn profile, this chapter will show you why—and how to break free.

### The Gap Principle: The Real Wealth Formula

Lifestyle inflation is the gradual increase in spending as income rises. It's not one big decision—it's the Swiggy One membership, the "better locality," the Thailand trip that felt "well-deserved." Each makes sense in isolation. Compounded over a decade, they're why Manish has ₹6 lakhs while Divya has ₹67 lakhs.

**Here's the uncomfortable truth: Your income is not your wealth. Your wealth is the gap between what you earn and what you spend, sustained over time.**

**Wealth = (Income – Expenses) × Time × Returns**

Consider two Pune IT professionals, both earning ₹25 LPA (₹1,72,000 monthly take-home):

Parameter	Rohit	Sneha
Monthly Expenses	₹1,42,000	₹1,05,000
Monthly Gap (Savings)	₹30,000	₹67,000
Wealth in 20 years @12%	₹2.91 Cr	₹6.51 Cr

Same salary. Sneha's ₹37,000 larger monthly gap creates a **₹3.6 crore wealth difference** over twenty years. This is why salary hikes don't make most people rich—they celebrate by expanding lifestyle, keeping the gap constant.

## Three Stories from the Trenches

### Arjun: The Upgrade Cycle (Pune, IT)

Arjun joined IT in 2014 at ₹6 LPA. By 2024: Technical Architect at ₹48 LPA—an 8X increase. Here’s what happened:

Year	New CTC	The “Deserved” Upgrade
2016	₹9 LPA	Hyundai i20 on loan (EMI ₹14,500)
2018	₹15 LPA	2BHK in Baner (rent ₹12K → ₹28K)
2020	₹24 LPA	International school (₹2.8L/year)
2022	₹36 LPA	Tata Harrier (EMI ₹32,000)
2024	₹48 LPA	3BHK flat (EMI ₹78,000)

Today, Arjun’s monthly expenses exceed ₹2.5 lakhs. Take-home: ₹2.85 lakhs. Savings rate: 11%. When I asked what happens if he loses his job, he said: “I work 60-hour weeks. Don’t I *deserve* to enjoy my success?”

That word—*deserve*—is the most expensive word in personal finance.

### Priya: The Conscious Saver (Mumbai, Banking)

Priya joined banking in 2015 at ₹7 LPA. Now AVP at ₹21 LPA. In month one, she calculated her actual needs: ₹25,000/month. She committed to maintaining that baseline regardless of promotions.

“Didn’t you feel deprived?” I asked. She laughed. “Deprived of what? I had everything I needed. I just wasn’t buying things to impress people I didn’t even like.”

Nine years later, her expenses have grown to ₹58,000 (132% increase) while income grew 200%. Her investments: ₹28L in mutual funds, ₹18L in PPF,

₹14L in NPS, ₹12L in stocks. **Total: ₹72 lakhs.** She could take a two-year sabbatical without stress.

### **Rahul & Meera: The System Builders (Hyderabad)**

This dual-income couple (tech + analytics) grew from ₹18 LPA combined in 2017 to ₹52 LPA in 2024. Their system: 50% of every raise goes to SIPs on the 1st of each month—before they can spend it.

“The automation was everything,” Rahul says. “If we had to manually transfer, we’d find excuses. By automating, the money left before we could negotiate with ourselves.”

Seven years later: **₹1.14 crore portfolio.** They live comfortably—nice apartment, reliable car, one international trip yearly. But they could maintain this lifestyle even if income dropped 35%. That’s real freedom.

### **The Psychology of “I Deserve This”**

Notice that “I deserve this” rarely appears when considering a SIP increase. It shows up when you’re about to spend on something that makes you *look* successful. Because lifestyle upgrades aren’t about the item—they’re about **identity**. That SUV is proof you’ve made it. That Gurgaon apartment signals to relatives that you’re doing well.

In India, this pressure is amplified. Parents compare notes at gatherings. WhatsApp groups buzz about purchases. The uncle asking “Kitna package hai?” is ranking you against cousins.

**Here’s the key insight: You can deserve something and still choose not to buy it.** Saying “I deserve this but I’m choosing to invest instead” isn’t deprivation—it’s discipline. The question isn’t “do I deserve better?” but “what life do I want at 50?”

## **Five Mistakes That Keep High Earners Broke**

**Mistake #1: The “I’ve Earned This” Upgrade.** Every promotion triggers reward-seeking—always through spending.

*Fix:* Celebrate with experiences (dinner, weekend trip), not assets that commit you to years of EMIs.

**Mistake #2: Keeping Up with Promoted Colleagues.** You match lifestyles of people at your level.

*Fix:* You have zero idea about colleagues’ finances. That Fortuner might be inherited, debt-funded, or deeply regretted.

**Mistake #3: Confusing CTC with Reality.** ₹30 LPA CTC = ~₹1.96L take-home. An ₹18L Creta with EMI, insurance, fuel, maintenance costs ~₹54,000/month—27.5% of take-home.

*Fix:* Calculate based on take-home including ALL associated costs.

**Mistake #4: Ignoring Hidden Upgrade Costs.** Bigger flat = more furniture, electricity, maintenance. Upscale locality = expectations for better everything.

*Fix:* List every associated cost, then add 30% for surprises.

**Mistake #5: “I’ll Start After My Next Hike.”** Sounds reasonable but the “right time” never arrives.

*Fix:* Start today—even ₹5,000/month. The habit matters more than the amount.

## **The Indian Upgrade Pressure**

The IT sector has normalized 40-60% salary jumps. When your batchmate joins Google at 2X your salary, when your cousin buys a Jeep at 32, the pressure becomes torment.

Then there's the holy trinity: **car, flat, children's education**—each with its own upgrade ladder. Maruti → Honda → Jeep. Rented 2BHK → owned 3BHK → villa. CBSE → international school → foreign university.

And festival bonuses? That Diwali bonus feels like “found money” to splurge. But a ₹2 lakh annual bonus invested at 12% for 20 years = **₹1.61 crore**. Spent on gold and gadgets = ₹0.

Choose your battles consciously. Maybe the car waits but schooling is non-negotiable. The people who matter—spouse, children—respect stability over status. I've never met a 60-year-old who wished they'd bought a fancier car at 35.

### **Your Four-Step Action Plan**

**Tonight: Calculate Your True Savings Rate.** Last 3 months: Total Investments ÷ Total Income × 100. Target: 25%+ for serious wealth, 35%+ for accelerated growth. Below 15%? You have a lifestyle inflation problem regardless of income.

**This Week: Automate “Pay Yourself First.”** Broke formula: Income – Expenses = Savings. Wealth formula: Income – Savings = Expenses. Set up SIPs on the 1st/2nd via Groww or Zerodha Coin. Money you don't see, you don't spend.

**This Month: Create a “30-Day Account.”** Open a separate savings account. Whenever you want to upgrade something, transfer the amount there. Wait 30 days. Still want it? Buy it. If not, move to investments. Most “urgent” wants disappear within a month.

**Ongoing: The 50% Rule.** 50% of every raise, bonus, or windfall goes to investments before you see it. Example: ₹5 LPA raise = ~₹34,000 extra monthly. Increase SIP by ₹17,000. Enjoy ₹17,000 guilt-free. Lifestyle improves AND wealth accelerates.

### **Free Tool**

Calculate Salary Hike Allocation and investment gap analysis on the Calculator given at [www.nikworth.co.in/calculators](http://www.nikworth.co.in/calculators).

### **The Real Question**

Manish isn't stupid—you don't earn ₹40 LPA by accident. He simply never questioned the assumption that lifestyle should expand with income. Divya made different choices: security over show, freedom over keeping up.

Both worked hard. Both earned their money. Only one *kept* it.

**What will you do differently starting tonight?** Your income might be outside your control. Your expenses never are.

### **Key Takeaways**

- $\text{Wealth} = \text{Gap} \times \text{Time} \times \text{Returns}$ . Focus on the gap, not just income.
- Lifestyle inflation makes high earners feel perpetually broke.
- "I deserve this" is the most expensive phrase in personal finance.
- Automate savings on salary day—pay yourself first.
- Apply the 50% rule to every future raise and bonus.



## **Coming Up: The Foundation You're Missing**

Before you invest that gap, there's a crucial foundation most people skip. Last year, a client named Vikram liquidated ₹18 lakhs in mutual funds during a market crash—locking in a 34% loss—because he had no emergency fund when laid off.

In Chapter 4, we'll cover how much emergency fund you actually need, where to keep it, and how to build it without sacrificing investment goals. Because the best investment strategy crumbles without a safety net. **Let's build yours.**