

Making **LIFE** Work

Reducing Expenses

Frugality 101

If you and your family are dealing with reduced income, your first steps should involve carefully assessing how you spend your money and identifying ways to save more of it.

Some spending is necessary and unavoidable—rent or mortgage payments, insurance premiums, car payments, and installment debt. Other spending is flexible—food, utilities, clothing, household expenses, and entertainment, all of which can be reduced.

Look for Food Savings

Shop Wisely

- **Make a grocery list** of meals that can be prepared from scratch using low-cost protein foods, such as dried beans, eggs, peanut butter, turkey, and chicken. And plan several meatless meals throughout the week.
- **Never discount the value of newspapers**, sale inserts, magazines, and Internet websites as coupon sources for items you buy often. Search closely for buy-one-get-one-free items frequently offered by supermarkets.
- **Make and laminate favorite recipe cards** that list the required grocery items. While you are shopping, carry these cards and an erasable marker to identify the items you need. This will help you keep track of everything required for the entire week, sparing additional visits to the grocery store.
- **Buy store or generic brands** when possible, and compare the unit prices among these various products. Look for items that can be used in many ways and in many recipes. These might include ground beef (preferably low fat) and ground turkey.



- **Make large recipes** for items such as spaghetti sauces and soups. Label and freeze uneaten portions to use later.
- Leave your children at home when you go grocery shopping. If you have to take them along, shop only during those times of day when they are less likely to crave snack foods.

Utilities

To save on utilities, set the thermostat five degrees lower in cooler weather and higher in warmer weather.

In cooler weather, open blinds or curtains during the day to let in the sun's warmth. Close them at night to retain the heat. In warmer weather, close the blinds and curtains facing the sun to block heat.

Either drop your cell phone plans entirely or reduce their cost either by buying a basic or pay-as-go plan. Also, use your cell phones only when absolutely necessary, unless your minutes and text are unlimited.

Where you have managed to retain minutes toward the end of the billing period, use these for long-distance calls you have been putting off on a limited minutes plan.

Clothing, Cosmetics, and Other Fashion-Related Items

Ask yourself: How much of what I'm spending on clothing, personal care, and household items is really necessary?

Carefully compare the price with the product's quality before you buy. Also, check discount stores, mail-order catalog sales, secondhand outlets, flea markets, and garage sales. If clothing is needed only for a one-time occasion, consider borrowing or swapping with friends or family.

Entertainment

Cancel your cable or satellite service and replace it with family time. There are all kinds of family activities that are not only highly interactive and enjoyable but also inexpensive: biking, hiking, camping in the backyard, playing cards and games, performing family plays, singing and dancing with everyone sharing the fun. If you have a newer model HD television, purchase a HD antennae for live local news and weather.



Reduce Miscellaneous Expenses

Read a classic, such as *Tom Sawyer*, that you have at home and then have the children act out a scene after a section is read. This promotes creativity, self-esteem, and confidence to speak in front of others.

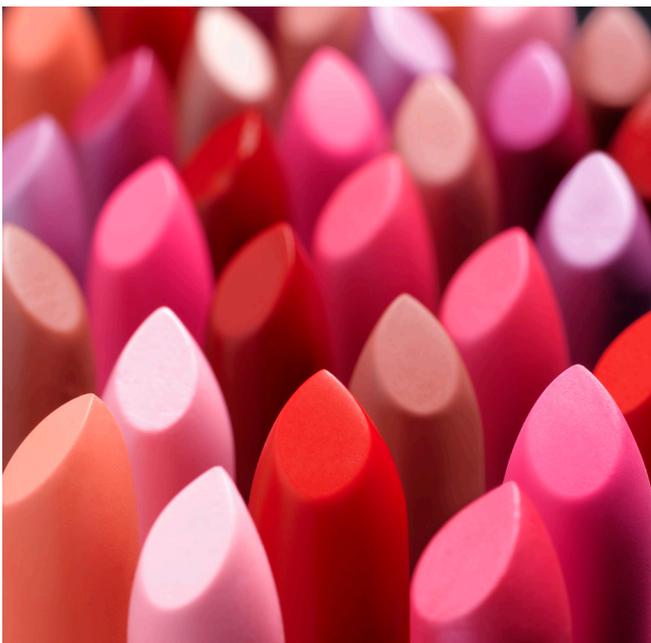
Buy fewer books and subscribe to fewer magazines.

Instead, go to your local public library for books, magazines, and DVDs. Also, consider replacing alcohol and soda beverages with tap water—a far less expensive alternative—and give up that cigarette habit for the sake of your pocketbook as well as your health.

Equally important, if you are on the debt treadmill, get off as soon as possible. Families who revolve credit card balances pay an average of \$1,500 a year in interest rates and fees alone. If they saved that amount each year with a 5 percent yield, they would have \$200,000 in 40 years.

Taking on too much debt also lowers your credit score, which results in your having to pay even more on consumer and mortgage loans. Low credit scores are also the reason why so many Americans find it hard to rent an apartment, secure utility services, and even find a job.

This large consumer debt is the reason why millions of Americans have so much trouble saving and building wealth.



Just how serious is your debt situation?

- 1. Can you afford to make only the minimum payments on your credit cards?**
- 2. Do you worry about having enough money to make monthly car payments?**
- 3. Do you borrow money to pay off old debts?**
- 4. Have you used a home equity loan to refinance credit card debts, only to run up new revolving balances on your cards?**

If your answer to any of these questions is yes, then you probably need to get your debts under control.

The good news is that with discipline, patience, and, in some cases, outside help, you can reduce debt and even begin saving.

What is the first step you should take to get yourself out of debt? Stop borrowing, especially if you're spending more than you're earning. A good place to start is cutting up your credit cards or, at least, using them only when necessary.

While you are making a budget, figure out the most you can afford to pay each month to reduce your debts, then pay this amount each month without fail. If you have debts on more than one credit card, always pay the minimum on each card and any extra



amount on the debt with the highest interest rate. When that debt is paid, add the amount you paid on that debt to the payment of the next highest interest rate debt, continuing until all debts are paid off.

Be done with debt once and for all: Once these debts are paid, do not give in to the temptation to overspend again. Begin using the money you spent on credit cards to develop a savings account.

In many communities, there are agencies that can help you manage your debts, including member agencies of the nonprofit National Foundation for Credit Counseling (NFCC). Counselors work with you privately to help you develop a budget, identify your options, and work with creditors to repay your debts. Call (800) 388-2227 to locate an office near you.