

# Better Budgeting 101

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# **Setting Goals**

## **Topics Include:**

**Wants vs. Needs**

**Short-, Intermediate-, & Long-Term Goals**

**SMART Goal Setting**

**Step Down Principle**





## Setting Financial Goals



### WHAT ARE YOUR FINANCIAL GOALS?

Setting a financial goal is the first step to achieving your financial objectives and creating a sustainable spending plan. Let's say you've planned a beautiful vacation. You've reserved the hotel room, had the car serviced for the trip, put the mail on hold, and packed your bags. You get into the car and pull out of the driveway, but where are you going? How do you get there? Where is the map?

Goal setting is your map to reaching your financial dreams. Where do you want to go? What is your vision for the future? What would you do with your money if you didn't have bills to pay or debt to extinguish? Dreaming is a big part of goal setting. Let your imagination go wild: what would you like your financial future to look like?

Write your dream(s) down and put the note where you will see it every day. That will remind you of your dream and help you achieve your goal. Without a direction, dreams/goals just stay parked in your driveway.

Before spending money on a goal, think about how important it is and whether it's a want or a need.

### WANTS & NEEDS

Next, is your goal a want or a need? We all have wants and needs, and they vary from person to person—even in your own family.

Wants are those things that would make life a little more fun and comfortable. Needs are those expenses that are necessary for daily life, like food, shelter, clothing, health care, and transportation. Our wants and needs are formed by our experiences, our values, and our beliefs. What you think is important may not be as important to the next guy or gal.



Before spending money on a goal, think about how important it is and whether it's a want or a need. Ask yourself:

- Why do I want this?
- Do I really need this?
- What is most important right now?

For help with determining your wants and needs, [try this activity](#) from the National Endowment for Financial Education's *High School Financial Planning Program*.

### SHORT-, INTERMEDIATE-, & LONG-TERM GOALS

Whatever your goal is, your next step is to define the length of time it will take to achieve it and when you need it. Some financial goals and dreams can be fulfilled in a matter of days; others take a bit longer:

- **Short-term goals** are goals that can be achieved in less than three months.
- **Intermediate-term goals** are goals that usually take three to six months—but can take up to 12 months—to accomplish.
- **Long-term goals** are goals that take more than a year to realize.

A short-term goal can be a Friday night pizza or a weekend get-away. An intermediate-term goal might be buying a new television set, whereas a long-term goal might be saving for a car, a child's college education, or retirement.

- For more information on goal setting: [www.extension.org/pages/SMART\\_Goal\\_Setting\\_Techniques](http://www.extension.org/pages/SMART_Goal_Setting_Techniques)
- For an example of goal setting using this technique: [http://pubwiki.extension.org/mediawiki/files/2/26/Short-Term\\_Goal\\_Setting\\_Example.pdf](http://pubwiki.extension.org/mediawiki/files/2/26/Short-Term_Goal_Setting_Example.pdf)
- To create your own goal page: [http://pubwiki.extension.org/mediawiki/files/b/b2/SMART\\_Goal\\_Setting\\_Worksheet.rtf](http://pubwiki.extension.org/mediawiki/files/b/b2/SMART_Goal_Setting_Worksheet.rtf)

Some goals take more resources and a little more planning. For information on specific goals and examples, like retiring or buying a house or car, see [Savings](#).

## "SMART" GOAL SETTING

Once you've determined if your goal is a want or a need and how long you have to work towards it, it's time to decide if it's a SMART goal. Having a SMART goal will help you plan your financial goal's direction, maintain the dream as you work towards it, and reach it when you expect to.

SMART stands for Specific, Measurable, Attainable, Realistic, and Timeline. For more detailed information on SMART goal setting, visit [http://www.extension.org/pages/What\\_are\\_SMART\\_Goals?](http://www.extension.org/pages/What_are_SMART_Goals?)

Are your goals SMART?

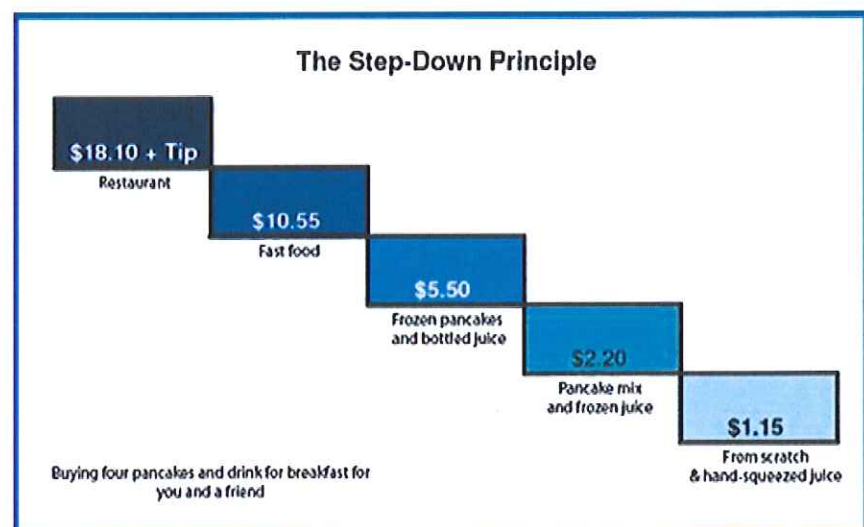
- Do you know exactly what you want or need? Can you distinctively define it?
- Do you know how much it will cost? How about the costs associated with having it?
- Is it affordable and something that you can work towards?
- Is it a reasonable purchase that will fit easily into your life?
- Can you realistically save for it in the time you've allowed?

If you answered yes to *all* five of these questions, you have a SMART goal.

## STEP DOWN YOUR GOALS

What if you find that after all of your planning and goal setting, your dream isn't attainable as is? Does that mean you scrap the whole dream and move on to the next item on the list? Maybe! But there might also be another solution for you: consider "stepping down" your dream.

The Step-Down Principle, developed by Prof. Alena Johnson of Utah State University\*, allows you to achieve a version of your dream. It may not be the exact goal you had in mind, but it will get you to the same destination. Here's how it works:



\*For more information on this principle, go to  
[http://ag.arizona.edu/maricopa/fcs/SmallSteps/UA\\_SSHW-FS\\_26-Step\\_Down\\_to\\_Change.pdf](http://ag.arizona.edu/maricopa/fcs/SmallSteps/UA_SSHW-FS_26-Step_Down_to_Change.pdf).

**Example:**

What if you really wanted pancakes for breakfast? Funds were tight, but you wanted to take your friend to a local restaurant, where you would easily spend \$18.10, plus tip, for two. Instead of going to that "fancy" restaurant, what if you "stepped-down" your meal and stopped at a fast food restaurant? You would still get your pancakes, but you wouldn't have to pay the "fancy" restaurant price or the tip. Taking it further, maybe frozen pancakes and bottled juice would satisfy your goal at \$5.50—or a pancake mix (\$2.20) or making the pancakes from scratch (\$1.15). You still get your pancakes; you just compromise on where and how you get them.

The "Step-Down Principle" works for many goals, big or small. Consider it whenever you're having difficulty meeting all of your goals. For example, if you've been dreaming of the BIG family vacation to Disneyland, including airfare, hotel, park passes, food, and transportation for seven days, you're looking at \$4,010.50. However, if you "stepped-down" the vacation to three days instead of seven, you would still be able to enjoy family time at the park for \$3,019. You might even take this a step further and consider a vacation closer to home: seven days at a regional amusement park, including hotel, food, park passes, and transportation in your own vehicle for \$1,448. That gets you the rides, but without the cost. If that's still a little more than you can afford, take it down another notch: buy an inexpensive tent, sleeping bags, cooler, and yummy foods, toss in some inner tubes, and camp along a nearby river for under \$500.

Once you have your SMART goal in mind, it's time to find the money to pay for it. See [Tracking Expenses](#) for ideas on finding the funds to make your dream a reality.

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## What are SMART Goals?

Most of us need a plan to achieve our wishes. A legal or financial plan of action starts with goals. Goal setting will help you plan, implement, and measure the progress of your activities. If you set SMART goals you'll have a plan to achieve the legal or financial actions that are important to you and your family. SMART goals have several important criteria.

<b>S</b>	Your goals should be <b>SPECIFIC</b> . Include dates, resources, and dollar amounts you'll need to accomplish them.
<b>M</b>	They should be <b>MEASURABLE</b> by the date, dollar, or other appropriate unit. They should also be <b>MUTUAL</b> . (A legal or financial goal that you share with a spouse, partner, or family members will be easier to achieve.) And, it's best to define strategies for staying <b>MOTIVATED</b> towards your goals.
<b>A</b>	Your goals should be <b>ATTAINABLE</b> for your situation. You might even be able to complete part of your goal right now.
<b>R</b>	If your goals are <b>REALISTIC</b> and <b>RELEVANT</b> to your life, they'll be easier to achieve. Identify the <b>RESOURCES</b> you'll need to reach them, and <b>REVIEW</b> and <b>REVISE</b> them when necessary.
<b>T</b>	You'll need a specific <b>TIMELINE</b> to accomplish your goals. Since there's never enough time to complete all of your goals immediately, you'll need to <b>prioritize</b> them.

Start your goal list on the SMART Goal Setting Worksheet. Remember to be specific and measurable, with a planned timeline for accomplishment. Be realistic in setting goals that you can actually attain.

### SMART Goal Setting Techniques

When you first think of how to begin reaching your goals, you may feel overwhelmed. One way to achieve your goals is to break them up into smaller, more manageable, SMART tasks, which could be considered mini-goals.

- Short-term (complete in less than three months)
- Intermediate-term (complete in three to six months)
- Long-term (complete in a year or more)

The Short-Term Goal Setting Worksheet will help you get started. See how you can use it to plan for a short-term financial goal.

An example of a long-term financial goal might be to reduce your credit card debt. Make the goal specific by listing the total amount of debt you plan to pay off and setting a deadline (month and year) to repay the debt. Make it measurable by listing each credit card that has an outstanding balance, the name of each credit card issuer, the annual percentage interest rate, and the amount owed on each credit card. Your goal will be mutual if other household members agree to work toward the debt reduction...and will be much easier to achieve.

What is your motivation for paying off this debt? Perhaps it's to stop calls from bill collectors. Once you've written your goal to eliminate your credit card debt and identified key information about each credit card with an unpaid balance, it will be easier for you to prioritize which credit card you'll pay off first and to develop your plan of action.

### Write and Visualize Your Goals

Put your plans into action with frequent goal reminders. That's one reason for writing your goals. Post your Goal Setting Worksheet (or your Bucket List) where you will see it often. To stay motivated, visualize the positive outcomes that you'll experience when you complete your goal. Frequently evaluate your progress and make changes as needed. Once you achieve a goal, enjoy your accomplishment and move on to the next one. With motivation, commitment, and discipline, you will achieve your goals and take control of your future.

\* From the Personal Finance page, <http://www.extension.org>

## Polarity Activity

What is a need or a want in your life? Place a check under the "Want" or "Need" column for your choice. Compare your answers with your neighbors. You may be surprised to find what other people think.

Want	Description	Need
	Automobile	
	Telephone	
	Cell phone	
	Newspaper	
	Athletic shoes	
	Business suit	
	Lap Top Computer	
	Soda	
	New clothes	
	Cable TV	
	Vacation	
	Dining out	
	Insurance	
	4-Wheeler	
	Bicycle	
	iPod	
	Candy Bars	
	Video Game	
	Game Console	
	Digital Camera	

Credit: NEFE *High School Financial Planning Program*, Unit 1, Exercise 1A and the Polarity Activity

Retrieved from: <http://www.extension.uidaho.edu/personalfinance/index.html>

## Short-Term Goal Setting Example

**Short-Term Goal example:** Save \$500 during April and May for a July family vacation to Adventureland.

*Is your goal SMART? Is it specific, measurable, mutual, attainable, realistic, and relevant?  
Do you have the resources to achieve it and have you set a timeline?*

Tasks	Priority (top task is # 1)	Approximate cost (if any) or resources needed	Target start date	Target completion date
<b>Short-term (less than 3 months)</b>				
<i>Reduce eating-out expenses:</i> Limit eating out for family from 2x/wk to 1x/wk	1	Save \$225	4/1	5/31
<i>Reduce lunch expenses:</i> Mom & Dad carry lunches to work instead of eating out	2	Save \$135	4/1	5/31
<i>Cut travel costs:</i> Dad goes to work early to combine travel with taking kids to school	3	Save \$90	4/1	5/31
<i>Reduce entertainment expenses:</i> Choose home movie rentals and games instead of outside entertainment	4	Save \$50	4/1	5/31
<b>Intermediate-term (3 to 6 months)</b>				
<b>Long-term (a year or more)</b>				

Date prepared: 3 / 25 / 07

For (name): Kelly Smith



## Long-Term Goal Setting Example 2

**Long-Term Goal example 2:** Debt reduction: Pay off \$20,000 credit card debt in 3 years.

*Is your goal SMART? Is it specific, measurable, mutual, attainable, realistic, and relevant?  
Do you have the resources to achieve it and have you set a timeline?*

Tasks	Priority (top task is # 1)	Approximate cost (if any) or resources needed	Target start date	Target completion date
<b>Short-term (less than 3 months)</b>				
Discuss debt reduction with spouse/partner and other household members; seek goal acceptance by household members	1	Spouse/partner support; support of other household members	1/11	1/20
Stop using credit; freeze credit cards in water to avoid using	2	Freezer	1/12	1/12
Track spending for at least 3 months to determine where money is going	3	Worksheet, notebook, calendar, or computer spreadsheet for listing each expense	1/12	4/12
List all debts, interest rates, etc., for at least 3 months	4	Paper list of each creditor, their contact information, amount owed for each debt, credit/loan interest rate, etc.	1/14	1/17
Investigate and select a debt repayment method; contact creditors	5	Extension publications, credit counselor, and/or computerized debt program	2/12	2/25
<b>Intermediate-term (3 to 6 months)</b>				
Continue monitoring spending by listing expenses	6	Worksheet, notebook, calendar, or computer spreadsheet for listing each expense	Contin- uous	1/11
Reduce or eliminate at least two monthly expenses	7	Review list of expenses	4/12	7/12

## Long-Term Goal Setting Example 2

Intermediate-term (3 to 6 months) – continued				
Investigate ways to increase income. Example: Ask employer about overtime work or seek a second job	8	Overtime work or second job	4/13	5/15
Long-term (a year or more)				
Inexpensively celebrate as each debt is repaid; brainstorm ideas	9		1/12	After each debt repayment
Reallocate money to repayment of other debts	10		When appropriate	After each debt repayment

Date prepared: 1 / 10 / 08

For (name): Sam Jones

## SMART Goal Setting Worksheet

**Goal:**

*Is your goal SMART? Is it specific, measurable, mutual, attainable, realistic, and relevant?  
Do you have the resources to achieve it and have you set a timeline?*

Tasks	Priority (top task is # 1)	Approximate cost (if any) or resources needed	Target start date	Target completion date
<b>Short-term (less than 3 months)</b>				
<b>Intermediate-term (3 to 6 months)</b>				

Long-term (a year or more)				

Date prepared: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

For (name): \_\_\_\_\_

# **Tracking Expenses**

## **Topics Include:**

**Getting Started**

**Popular Tools for Tracking Expenses**

**Breaking Spending Habits**

**Tracking Income and Expenses**

**Fritter Finder**





## Tracking Expenses



### GETTING STARTED

Once you've defined your financial goals and are on a steady path towards achieving them, it's time to find the money you need to reach them. That's easier if you already know where your money is going. Tracking expenses can be very intimidating: people generally don't like to think about *every* penny they spend. But if you remember that you're working towards a goal, it will be much easier to do what's required in order to stay on track.

For a month, account for every penny you spend and assign it to an expense category.

Before you begin monitoring your spending, think about how you currently keep track of your daily life. Do you do better with sticky notes? Day planners or calendars? Computer software? There are lots of [popular tools for tracking expenses](#) and for helping you observe and better understand your spending. One size doesn't fit all. Mix and match them and see which tool (or tools) best fits your family's needs. Or, you may find that something you're already using will serve as a great expense-tracking tool.

For a month, account for *every* penny you spend and assign it to an expense category. You'll find this [expense tracker](#), adapted from University of Illinois Extension, useful in completing this task. You'll need to track every transaction—even sneaky expenses, like the soda you bought for your afternoon break.



Be prepared: this can be an eye-opening experience, but keep going for a full month. The idea underlying expense-tracking is to put control of your spending back in your hands. If you don't know how much money you have, how do you know when to stop spending? If you *do* know, you're less likely to overspend and more likely to improve your control over your financial future.

**Tip:** If you use a "Miscellaneous" category with any tracking tool, you won't get the full benefit of tracing your spending footsteps. You need to break down all expenses into their appropriate categories (for example, Entertainment/Recreation, Clothing, Transportation, Food, etc.) to see *exactly* where your money is going.

### POPULAR TOOLS FOR TRACKING EXPENSES

- **Online banking:** Most major banks, and some smaller ones, offer online banking to their customers for free or for a small fee. Online banking and electronic bill-paying take the paperwork out of your bill-paying routine, can save time and postage, and provide instant information regarding your account. You can use this tool's monthly record of your transactions to categorize and total your expenses. Beware of bank or vendor charges for this service, however: you may find that you're paying more in fees than you would have if you'd stuck with snail-mail.
  - [Are you a safe online banker?](#)
  - [What is "electronic banking"?](#)
  - [Can I open an online savings account, too?](#)
- **Personal finance software:** Whether you buy personal finance software or make up your own spreadsheet, this tool can provide up-to-date spending information with accurate computations. It's an easy way to identify different spending categories and to maintain accurate records for tax time. Some software packages also print checks, balance your checking account, link to your accounts, and graph your spending.
- **Credit cards:** If you use credit cards to pay for all of your purchases, their monthly statements will help you track your expenses. Simply go through each statement and

note which expense category every purchase falls under. Add up the categories for a monthly estimate of spending. Many websites will keep track of your credit card spending—as well as your non-credit card purchases—for you. If you choose this tool, remember to pay your credit card accounts in full before their due date to avoid additional interest and fees. See [Credit & Debt](#) for information on using your credit cards wisely and how new credit card legislation might affect you.

- **Checkbooks:** If you use checks and/or debit cards to pay your expenses, your checkbook can be an excellent tracking tool. When you buy an item or service, record the check or debit purchase in your checkbook and/or debit-card register and make a note of its category in the register's "For" section. (If you don't have registers for your checks or debit cards, ask your bank for them.) At the end of the tracking period, total up your expenses for each category. Balancing your account monthly is another way to track expenses and verify that you and your bank agree on your balance and cash on hand.
- **Day planners and notebooks:** You can use these paper tools to record your daily expenses and to note the expected dates of your income and the due dates/amounts of your bills. Your favorite calendar will work, or you can list your expenses in a notebook in order of their due date. Be sure to enter every expense, however small. Don't forget periodic expenses like gifts or twice-a-year insurance premiums. As you pay a bill, mark it off.
- **Receipts:** To use this more traditional tool, save—or make—receipts for every service or product you buy. Label each receipt with an expense category, like food, transportation, rent, cable, etc. Sort the receipts by category, store them in a safe place, then add up each category at the end of the tracking time.
- **Envelopes:** This simple, older tool can still work well for those who prefer paying by cash. Make a separate envelope for each expense category and write its name, budgeted amount, and relevant due dates on the outside. After receiving your income for the month, divide the cash into the appropriate envelopes and put them in a safe, locked place. When you remove cash to pay for expenses, trade the money for a receipt. (If you use a money order to pay a bill, include the money order fee in the expense's total.) You'll know you're spending below your means if there's money left over in an envelope. (Great job!) If the money is gone in any category, resist the urge to spend cash from other envelopes.

Once you've found an expense-tracking tool that works well for you and your family, stick with it. Make "dates" with your record-keeping and bill-paying so you can stay current during your month of tracking expenses. If you find that you're not being "faithful" to a tool during that month, explore the others. Discover what works for you.

Tracking expenses is a step you take when you're building or reevaluating a budget. Once you've tracked your expenses for a month, it isn't necessary to keep on doing it unless you need to reexamine your spending. Once you have a workable budget, your expenses will track themselves.

## BREAKING SPENDING HABITS

After accounting for every penny, are you shocked by what you've been spending? That's OK. If you think you need a little help with breaking some spending habits, visit these useful resources:

- [eXtension's "Steps to Breaking Habits"](#)
- [Rutgers Cooperative Extension's "Small Steps to Health and Wealth"](#)
- [Virginia Cooperative Extension's "My Money: Spending Leaks"](#)

Discovering that you've been overspending doesn't mean you have to put your financial goals on hold. Get ideas for reducing common household expenses and keeping your dream on line by visiting [Spend Less, Live Well](#).

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# Tracking Income and Expenses

Marsha Lockard and Marilyn Bischoff

When you don't have enough money to cover your expenses, you're under stress. You're concerned about falling short. You worry about emergencies. You struggle with replacing major items like a vehicle or appliances. And you are uneasy about creditors.

Managing money takes planning and that's something many dislike. But managing your money can help relieve the constant stress of worrying about paying bills. It can help you regain control of your finances.

## Needs and Wants

The first step in managing your money is deciding how you want to spend it. Every decision you make to spend money on one thing affects your ability to spend money on other things. Some decisions are easy—should you rent a movie or go to see one? Others are much more difficult: How will you find a decent place to live on a limited income?

Making the best money-management decisions depends on looking at how you spend your money and on what. On the one hand, you have needs. Needs are necessary to live. Their costs can't be avoided and they typically fall into five spending categories—shelter, food, health care, clothing, and transportation.

On the other hand, we have many different wants. Wants make our lives more comfortable and enjoyable. They're far more numerous than needs and they vary from person to person. Wants are those extras in life that we like to have but that are not necessary for survival. Before making any purchase ask yourself two questions: Why do I want it? Do I really need it?

## Tracking Your Spending

Where does your money come from? How much money do you have every month? Have you ever had \$10 in your pocket and not known where it all went? It

is important that you know where your money goes. Understanding how much income you have and where your money goes every month will help you take control of your finances. Some people get paid monthly so that's the time frame that will be the focus of this publication.

Tracking expenses is useful for anyone who wants to develop a spending plan to help control expenses. While a spending plan lists what a person expects to spend, a list of actual expenses shows where the money really goes. It may point out areas where the plan is not working. Tracking expenses helps you make a realistic spending plan. It reduces stress to have an accurate picture of where your money goes.

## Five Tracking Methods

There are several ways to keep track of spending. Here are five that work for some families. Choose one. Keep a record of where every penny goes for a set period of time. Tracking your expenses for seven days will help you get an idea of where your money goes each week.

Expense Tracker	
Day	What did I spend my money on today?
Sunday	
Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	

**1A**

To get a more accurate picture, track expenses for a month. This will help you establish the cost of all monthly expenses such as food and utilities. The expense tracker worksheet (1A) will help you track spending each week.



1

### Receipt Method

This is an easy and convenient way to track your spending. Get a receipt every time you pay for a product or service.

- Label all receipts with expense categories, such as food, transportation, or clothing.
- Place receipts in a box or drawer. Use one envelope or divider for each category. Bills such as utilities and insurance should also be placed in the box after they are paid.
- If you use credit or debit cards, be sure to file those receipts also.
- If you don't get a receipt, make one, label it, and file it in the proper category.

At the end of each week sort the receipts. Write down how much money you spent in each category. Keep receipts for proof of purchase and taxes.



2

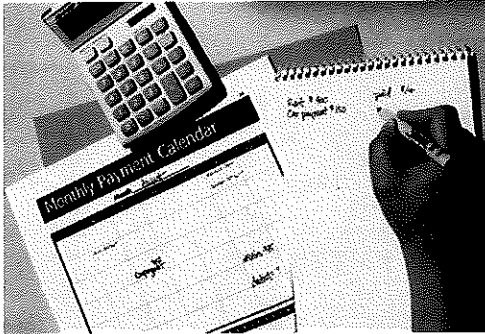
### Envelope System

The envelope system works well if you like to pay for things with cash. It requires little paperwork.

- Make an envelope for each expense category (rent, utilities, food, etc.). Label the envelope with the category, amount, and date due.
- When you cash your paycheck or receive other income, divide cash into envelopes for each expense category.
- Inside each labeled envelope, put the amount of money you plan to spend in that category each month. You don't have to record how much you spend. Just replace the cash with receipts.
- Pay bills right away, so you won't get late charges or be tempted to spend money for something else.
- To pay bills by mail, use money orders (not cash), available at banks, grocery stores, and post offices. Money order fees vary, so shop around.

Keep envelopes in a safe place, preferably locked. Try not to shift money from one envelope to another. If there is money left in an envelope at the end of the month, you'll know you've done well. Save leftover funds for future emergencies in a savings account or safe place.

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### 3 Calendar or Notebook Method

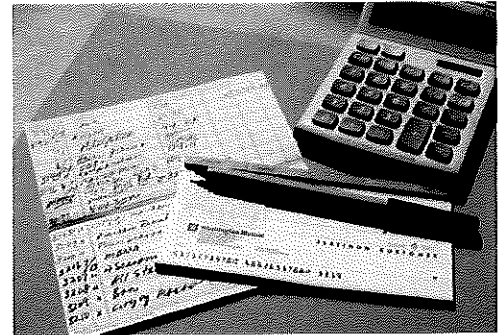
Some families use a calendar or notebook to track income and bills.

- List income on the date it is received.
- Write in bills and expenses on dates they are due.
- As bills are paid, mark off each one.

A calendar with large spaces to write on works best. The calendar may also be used to plan for larger irregular expenses. Examples are insurance payments, school supplies, or holiday gifts. The notebook can also be used to store bills so they are easy to find. Use *Tracking Tools* worksheet 1B as an example for how to set up the notebook method.

Tracking Tools				
Month				
Income	Expense/Bills	Pay or Due Date	Amount	Paid
Paycheck		May 7	\$150.00	
	Rent	May 6	\$60.00	

1B



### 4 Checkbook Method

This works best if you use checks or debit cards for most bills and purchases. In this system, you track your expenses in a checkbook register. By recording each check or debit card transaction, you keep an accurate record of what you've spent.

- Your checkbook register will include the date, check number, name of the person or business, and amount.
- For each entry, you'll also make a note of the spending category.

At the end of the month, you can track what you've spent by totaling expenses for each category. Then compare them with your spending plan.

In addition to valuable information about your spending, checks also provide proof of payment. Many checking accounts also pay interest on account balances. However, beware of possible bank charges that add to your costs. Examples are fees for low balances, numbers of checks written, or automated teller machine (ATM) card or debit card fees.



## 5

### Computer System

Tracking your expenses on a computer is an easy way to identify spending in different categories. It also supplies you with accurate records for tax-time. You can buy personal finance software or develop your own categories on a spreadsheet.

Using a computer to manage your finances is relatively easy.

- You can quickly update your spending information.
- If you enter transactions often you will stay on top of your financial picture for the month.
- Besides helping you track your spending, programs such as Intuit Quicken or Microsoft Money can print checks, balance your checking account, and provide graphs to help you analyze your finances.

### Tracking Time

Choose the record-keeping system that works best for you or your family. In most households, it works best when one family member is responsible for tracking the household spending. Schedule a regular time for record keeping and bill paying because getting behind can make it a challenge to catch up.

After you have determined your income and expense totals from tracking, it is then time to develop a realistic spending and saving plan. (See Publication CIS 1113, *Making a Spending and Saving Plan*, available for \$1.50 (#1296) from Ag Communications, University of Idaho. To order, call 208.885.6436 or email [agpubs@uidaho.edu](mailto:agpubs@uidaho.edu).)

### Resources

Federal Deposit Insurance Corporation. (2001). *Money Matters*. FDIC Money Smart – Financial Education Curriculum.

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# Track Your Monthly Expenses

Month

Track ALL of your expenses for one month. Enter the date paid and amount under the appropriate heading. Some categories may have multiple entries. The tracking sheet will calculate your categories at the bottom. Remember to include in the "Other" columns any expenses for which there are no listed categories. Don't forget the "habit" purchases (i.e., coffee, soda, fast food, cigarettes, etc.).

Date mm/dd/yy	Food	Child Care/ Elder Care	Clothing	Personal Expenses	Health/ Medical	Education	Transportation Vehicle: Gas/Oil/ Maintenance; Parking; Bus, Rail, Taxi
<b>TOTAL</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -







# **Budgeting Expenses**

## **Topics Include:**

**Who Needs a Budget**

**Your Income**

**Your Expenses**

**Making a Spending and Savings Plan**

**Budget Worksheets**





## Budgeting



### WHO NEEDS A BUDGET?

We all do. You've probably heard someone say, "Me? Budget? I don't have enough money to budget!" Or, "It's too complicated," or, "It's too confining." But the process of budgeting isn't just for the wealthy, and it doesn't have to be complicated.

In reality, budgets help everyone: those with small as well as larger incomes and those who sometimes overspend as well as those who are cautious with their money. Rather than confining us, budgets put us in control: they help us pay our bills on time, set aside savings for emergencies, keep our spending in line with our income, and achieve our short- and long-term goals.

To begin building a budget, you must know how much disposable income you have to work with.

For a successful budget: keep it simple, make it personal, keep it flexible, and keep a positive attitude.

### YOUR INCOME

To begin building a budget, you must know how much disposable income you have to work with. (Disposable income is what you have to spend after taxes, insurance premiums, and other employment-related costs have been withheld from your paycheck.)

For a month, identify all of your money sources and record their amounts. Whether you get paid weekly, every two weeks, or monthly, total the amounts for a monthly figure and enter them on a budget worksheet.

While income sources will vary from person to person, the following list will get you started:

- Wages/Salary
- Tips/Commissions
- Child Support/Alimony
- Public Assistance/TANF
- Social Security/Pensions
- Unemployment/Disability
- Veteran's Benefits
- Interest/Dividends

### YOUR EXPENSES

To continue building your budget, you'll need to identify and list your expenses. If you've tracked expenses for at least a month, this task will be easier.

#### Fixed Expenses

**Fixed expenses** are regular, set amounts that you spend each month. The amounts do not change during the year. You have committed to pay them on a regular schedule, and they cannot be easily changed. Some common fixed expenses are:

- Housing (rent, mortgage, association fees)
- Insurance (health, life, property, vehicle)
- Savings
- Vehicle payments
- Cable/Internet

- Other loan payments

### Variable Expenses

The next dollar amounts to consider when building a budget are your **variable expenses**. These change depending on the time of year, usage, and circumstances. You decide how much to spend on them and when to spend it. Although variable expenses are important and not frivolous, you can cut back on them—or even eliminate some of them from your budget entirely—when money is tight. Some common variable expenses are:

- Food
- Clothing
- Transportation (gas, oil, maintenance, parking, bus, rail, taxi)
- Utilities (electricity, garbage removal, gas, oil, water, sewer)
- Land line/cell phone
- Household (maintenance, furnishings, garden/cleaning supplies)
- Health and medical
- Child and elder care
- Personal expenses (haircuts, cosmetics, laundry, dry cleaning)
- Education
- Recreation and entertainment
- Other (allowances, church, gifts)

If you have a steady income, consider signing up for **level pay** for some of your variable expenses. For example, your heating costs vary depending on the time of the year. Using level pay allows you to pay the same amount every month of the year. It makes your summer bills higher, but it keeps your peak winter bills from breaking your budget.

### Periodic Expenses

Finally, consider your **periodic expenses** when building a budget. Not everyone has them, but if you do, include them in your budget under variable expenses. Examples:

- Tuition
- Back-to-school or summer camp health check-ups and related expenses
- Servicing of household equipment/systems (sprinklers, heating/cooling, septic tanks) and recreational vehicles
- Pets and other animals (veterinary bills, boarding, licensing)
- Holiday expenses

## BUDGET WORKSHEETS

To assist you in setting up a budget, we provide you with several interactive worksheets, which you can print or download to your computer:

- [Monthly Income & Expenses Worksheet](#)
- [Personal Budget Worksheet/Family Monthly Budget Planner/Personal Monthly Budget Planning](#)

Be sure to include *all* of your income and expenses. If a worksheet doesn't include a category you need, personalize and adjust it to fit your circumstances.

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# Making a Spending and Saving Plan

*Marsha Lockard and Marilyn Bischoff*

## Spending Goals

Before you decide where your money really must go, you need to determine your goals. What is important to you as an individual or a family? Are you spending money on those things—or is it drifting away with purchases that don't really reflect your goals?

## Goal Setting

Goal setting guides your decision-making. It helps you set your priorities. And it increases chances of meeting your needs. Goals can be either immediate—to make next month's rent—or long term—to buy a new appliance or save for emergencies.

Every household will have different goals, depending on what's most important to its members. It's a good idea for families to sit down together and talk about their goals and to update them as those goals change.

## Making a Spending and Saving Plan

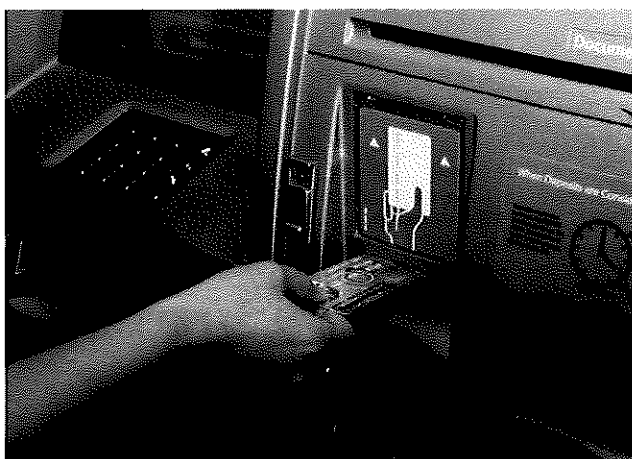
Making a spending and saving plan puts you more in charge of your money. It helps you:

- Stretch dollars and get more for your money
- Make the money last longer than the month
- Work toward your goals
- Spend wisely
- Pay your bills on time
- Set aside money regularly for savings and emergencies

Without a plan, you can get lost. With a plan, you can take charge.

A spending plan will help reduce the stress of not knowing whether you have the money to pay bills when they are due. It will also give you a sense of control over your money, rather than letting your money control you.

There is no "right" spending and saving plan. The best plan will be based on what's important to you and your



family. It is a good idea to let everyone in the family have a role in deciding how to spend the money. When children are included in money discussions, they learn valuable skills. And they are more likely to cooperate with the plan.

## Income Sources & Resources

Let's look at how much money you have every month. Income sources could include the following:

- Cash or paycheck
- Tips, commissions, and/or overtime
- Child support and alimony
- Public Assistance (TANF)
- Advanced Earned Income Credit (EIC)
- Social Security and pensions
- Unemployment and disability compensation
- Veteran's benefits
- Interest and dividends
- Other Income \_\_\_\_\_

Now let's look at other private, community, or government programs that may help your dollars stretch until the end of each month.

### Other Assistance

- Child Care Assistance (paid directly to provider)
- Children's Health Insurance Program (CHIP)
- Electronic Benefit Transfer (EBT) – formerly Food Stamps
- Emergency assistance
- Energy or heating assistance
- Food pantries and/or commodity food programs
- Housing Assistance
- Medicaid
- Women, Infants and Children (WIC) food coupons

### Other Resources

Think about any other assistance you are getting, such as help paying for healthcare, food from community gardens or gleaners, meals (free or reduced school lunches), hand-me-down clothing, used furniture, baby goods, help with childcare from family members, or donated school supplies.

### Expenses – Where Does the Money Go?

To take charge of your money, you must understand your spending patterns. Expenses fit into two categories – fixed (regular) expenses or flexible (changing) expenses.

A **fixed expense** is a set amount of money that must be paid at a regular time. Once you commit to a fixed expense it cannot be easily changed. Late or missed payments can cause problems such as late fees, eviction, legal action, or utility shut-offs. Shop for the best value before committing to any fixed payment.

### Fixed Expenses

Some common fixed expenses include:

- Housing – rent/mortgage
- Insurance – health, life, property, vehicle
- Savings
- Utilities and services – electricity, garbage removal, gas, oil, sewer, water
- Vehicle payment
- Other loan payments

A **flexible expense** is one that you can change. It is much easier to cut spending in the flexible expenses

category. You can decide how much to spend and when to spend it. Flexible expenses are not frivolous or unimportant.

### Flexible Expenses

Flexible expenses may include the following:

- Food
- Clothing
- Transportation – gas or oil, maintenance, bus, rail, taxi
- Phone or cell phone
- Household – maintenance, furnishings, cleaning supplies
- Health and medical
- Child care or elder care
- Personal expenses – haircuts, cosmetics, laundry, dry cleaning
- Education
- Other – allowances, church, gifts
- Recreation and entertainment
- Cable or internet

Once you have tracked your income and expenses, you are ready to develop a plan for future spending. Making a spending plan or budget is the first step toward reaching your financial goals. Writing out your plan helps you set saving and spending priorities, increasing the likelihood of meeting your financial goals.

Using the Income and Expenses Worksheet (2A), included with this publication, enter your income and fixed and flexible expenses.

To use the worksheet, do the following:

1. List your monthly income and total it.
2. Add all of your fixed expenses for one month.
3. Subtract your fixed expenses from your monthly income. The remainder is what you have left for flexible expenses.
4. Add your flexible expenses and total at the bottom of the flexible expense section.
5. Subtract your flexible expenses from the total you had left after paying your fixed expenses.
6. How much did you have left at the end of the month? The amount you plan to spend monthly should not be greater than your monthly income.

### Income & Expenses Worksheet

My Income		My Expenses	
Month of _____		Fixed Expenses	
Wages	\$	Rent/Mortgage	\$
Tips/Commissions	\$	Vehicle Payment	\$
Child Support/Alimony	\$	Utilities - Electricity, Water, Gas, Oil, Garbage	\$
Public Assistance (TANF)	\$	Savings	\$
Social Security/Pensions	\$	Insurance - Health, Vehicle, Property, Life	\$
Unemployment/Disability	\$	Other Loan Payments	\$
Veteran's Benefits	\$	Other	\$
Interest/Dividends	\$	Total Fixed Expenses	\$
Other Income	\$		
Total Income	\$		
		Flexible Expenses	
		Food	\$
		Clothing	\$
		Health/Medical	\$
		Vehicle—Gas/Oil/Maintenance	\$
		Phone/Cell	\$
		Household	\$
		Child Care/Elder Care	\$
		Personal Expenses	\$
		Education	\$
		Entertainment/Recreation	\$
		Cable/Internet	\$
		Other	\$
		Total Flexible Expenses	\$
Total Income	\$		
Minus Fixed Expenses	\$		
Total	\$		
Minus Flexible Expenses	\$		
Total	\$		

**2A**

### Periodic Expenses

For bills that come due periodically, like car insurance, or holiday spending, figure out a monthly average. For example if your vehicle insurance for six months is \$384 divide that number to obtain an average.

figure 1. 
$$\begin{array}{r} 64 \\ 6 \overline{)384} \end{array}$$

Include this averaged amount (\$64) in your monthly plan. It's best to set aside this amount, putting it in an envelope or into savings for when the bill comes due. Other non-monthly expenses that you will need to plan for may include:

- Vehicle registration
- Vehicle servicing and tires
- Property taxes
- School supplies
- Holiday gifts
- Birthday gifts
- Tuition
- Subscriptions – newspapers and magazines
- Dues – union and clubs
- Vacations

### Write Your Plan

Writing out your plan helps you set saving and spending priorities. It helps you meet your financial goals. There are always expenses we can't predict—car and appliance repairs, or medical emergencies, for example. To pay for emergencies, set up an emergency fund, either within a savings account or separately.

When you make a spending plan, use a time period that works for you – weekly, monthly, or some other period. Be realistic as you plan how to spend your money. It is hard to break old spending habits. Success often comes in small steps. Try using the Monthly Payment Calendar (2B), included with this publication, to help you plan for irregular or infrequent expenses.

Use the calendar to write in all expenses due each month. Don't forget to write in monthly averages for those periodic expenses. Review your spending plan quarterly and revise as needed.

### Monthly Payment Calendar

Month _____						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					Paycheck - \$200	
	Rent - \$200				Savings - \$25	

**2B**

A spending plan will also help you remember when bills and payments are due. You will save money by avoiding late payments or bouncing checks. Paying bills on time will help you prevent:

- Bill collectors
- Disconnection and reconnection fees for phone, electricity, or other services
- Eviction costs and traumas
- Extra finance charges
- Late fees
- Repossession of cars or other possessions

Open each bill as soon as it comes. After writing in the due date on your payment calendar, put it in a safe place with other bills. Schedule a regular time each week to pay bills.



## Savings Tips – Pay Yourself First

Make saving for emergency expenses and family goals an important part of your spending plan. This section explains the importance of saving regularly.

Many people save by removing change from their pockets or wallets at the end of the day. They place the change into a savings jar. Some individuals have money automatically deducted from their paycheck and placed into a savings account.

Another way is to Pay Yourself First (PYF). That means when you get a paycheck, you place money into savings for your goals and future needs before you pay routine expenses. Benefits of “pay yourself first” are your savings increase, and your level of living improves. Save for major unexpected expenses such as loss of job, car repair, or hospitalizations. A guideline is to have an emergency fund equal to two to six months of expenses.

Another saving need is for future expenses. Save for family goals including down payment for a house, car, or other large purchases; a college education, retirement and vacations.

If you believe that you don't have enough money to start saving, think about ways you could cut back. Do you eat out a lot? Can you cut back on candy, cigarettes, coffee, lottery tickets, magazines, or sodas? Do you have services you could live without, such as cable television, internet service, or a cell phone?

Spending less and saving more requires motivation and self-discipline. Starting to save early pays big dividends. Even small amounts saved regularly can add up to large amounts. By saving as little as \$50 per month, you can build a considerable safety net, as the figure below shows.

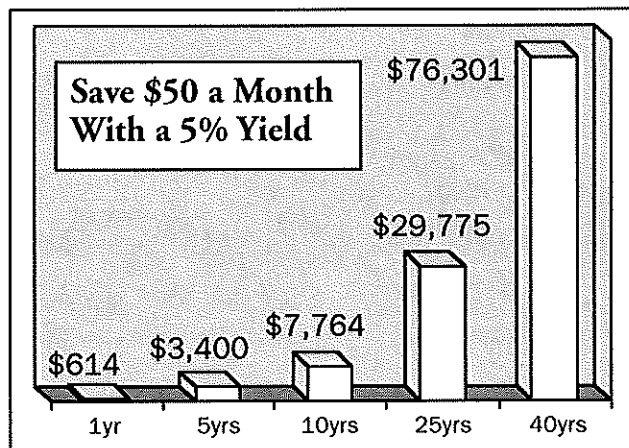


figure 2.



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## Resources

Federal Deposit Insurance Corporation. (2001). *Pay Yourself First*. Money Smart – FDIC Financial Education Curriculum.

Swanson, P, Needles-Fletcher, C. (1996). *The ABCs of Managing Your Money*. Ames, Iowa: Iowa State University Extension, EDC-86 N.

America Saves (2002). *Build Wealth Not Debt*. Washington D.C. USDA Cooperative State Research Education and Extension Service.

### Other Dollar Decision\$ Materials

#### Video—VHS or DVD (English or Spanish)

The lively 20-minute video introduces real people, both individuals and couples, who describe their financial goals and share methods for saving small amounts of money. They share ways they have found to decrease expenses and increase income. (English: #7085 VHS, #7086 DVD; Spanish: #7095 VHS, #7096 DVD) \$25

#### Curriculum Guide

Totals more than 75 pages including publications and materials in both English and Spanish. Participant materials in both paper and CD versions allow you to customize lessons.

Facilitators will find everything they need to:

- Advertise a workshop
- Present it: 2 lesson outlines, 7 group activities, 25 PowerPoint slides, including scripts
- Evaluate it: Pre- and post-workshop evaluations

#### Complete Set

(English: #1298 with VHS, #1299 with DVD; Spanish: #1366 with VHS, #1367 with DVD) \$65

Includes the curriculum guide and the following in English and Spanish:

- Participant materials
- PowerPoint slides
- 2 CDs (one English and one Spanish)
- One copy of the video, your choice, DVD or VHS, available in English or Spanish.

#### Send order to

Educational Publications Warehouse, University of Idaho  
P.O. Box 442240, Moscow, ID 83844-2240. For more information email [calspubs@uidaho.edu](mailto:calspubs@uidaho.edu), ph: 208.885.7982, fax: 208.885.4648.

### The Authors

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# Monthly Income & Expenses

## MY INCOME

Wages/Salary	Unemployment/Disability
Tips/Commissions	Veteran's Benefits
Child Support/Alimony	Interest/Dividends
Public Assistance (TANF)	Other
Social Security/Pensions	Other
<b>Total Income:</b>	<b>\$0.00</b>

## MY FIXED EXPENSES

Rent/Mortgage/Association Fees	Insurance: Health/Vehicle/Property/Life
Vehicle Payment	Other Loan Payments
Cable/Internet	Other
Savings	Other
<b>Total Fixed Expenses:</b>	<b>\$0.00</b>

## MY VARIABLE EXPENSES

Food	Child Care/Elder Care
Clothing	Personal Expenses
Health/Medical	Education
Transportation: Gas/Oil/Maintenance/Parking/Bus/Taxi	Entertainment/Recreation
Phone/Cell	Other
Household	Other
Utilities: Electricity/Water/Gas/Oil/Garbage/Sewer	Other
<b>Total Variable Expenses:</b>	<b>\$0.00</b>

## TOTALS

<b>Total Income:</b>	<b>\$0.00</b>
<b>Subtract Total Expenses:</b>	<b>\$0.00</b>
<b>Balance:</b>	<b>\$0.00</b>

# Personal Monthly Budget

<b>PROJECTED MONTHLY INCOME</b>	Income 1	
	Extra income	
	Total monthly income	

<b>ACTUAL MONTHLY INCOME</b>	Income 1	
	Extra income	
	Total monthly income	

<b>PROJECTED BALANCE</b> (Projected income minus expenses)	
---	--

<b>ACTUAL BALANCE</b> (Actual income minus expenses)	
---	--

<b>DIFFERENCE</b> (Actual minus projected)	
---	--

<b>HOUSING</b>	Projected Cost	Actual Cost	Difference
Mortgage or rent			
Phone			
Electricity			
Gas			
Water and sewer			
Cable			
Waste removal			
Maintenance or repairs			
Supplies			
Other			
<b>Subtotals</b>			

<b>TRANSPORTATION</b>	Projected Cost	Actual Cost	Difference
Vehicle payment			
Bus/taxi fare			
Insurance			
Licensing			
Fuel			
Maintenance			
Other			
<b>Subtotals</b>			

<b>INSURANCE</b>	Projected Cost	Actual Cost	Difference
Home			
Health			
Life			
Other			
<b>Subtotals</b>			

<b>FOOD</b>	Projected Cost	Actual Cost	Difference
Groceries			
Dining out			
Other			
<b>Subtotals</b>			

<b>PETS</b>	Projected Cost	Actual Cost	Difference
Food			
Medical			
Grooming			
Toys			
Other			
<b>Subtotals</b>			

<b>PERSONAL CARE</b>	Projected Cost	Actual Cost	Difference
Medical			
Hair/nails			
Clothing			
Dry cleaning			
Health club			
Organization dues or fees			
Other			
<b>Subtotals</b>			

<b>ENTERTAINMENT</b>	Projected Cost	Actual Cost	Difference
Video/DVD			
CDs			
Movies			
Concerts			
Sporting events			
Live theater			
Other			
Other			
Other			
<b>Subtotals</b>			

<b>LOANS</b>	Projected Cost	Actual Cost	Difference
Personal			
Student			
Credit card			
Credit card			
Credit card			
Other			
<b>Subtotals</b>			

<b>TAXES</b>	Projected Cost	Actual Cost	Difference
Federal			
State			
Local			
Other			
<b>Subtotals</b>			

<b>SAVINGS OR INVESTMENTS</b>	Projected Cost	Actual Cost	Difference
Retirement account			
Investment account			
Other			
<b>Subtotals</b>			

<b>GIFTS AND DONATIONS</b>	Projected Cost	Actual Cost	Difference
Charity 1			
Charity 2			
Charity 3			
<b>Subtotals</b>			

<b>LEGAL</b>	Projected Cost	Actual Cost	Difference
Attorney			
Alimony			
Payments on lien or judgment			
Other			
<b>Subtotals</b>			

<b>TOTAL PROJECTED COST</b>	
<b>TOTAL ACTUAL COST</b>	
<b>TOTAL DIFFERENCE</b>	



# **Saving Money**

## **Topics Include:**

**Saving for Financial Goals**  
**Three Important Savings Goals**  
**66 Ways to Save Money**  
**America Saves Saving Tips**  
**Utah Cooperative Extension's Slashing  
Expenses Handouts**





## Savings



### WHY SAVE?

It's a great idea to save a certain percentage of your income every month. Often, saving is the only alternative to buying things on credit and paying a lot more for them when interest and fees add up. Not only can you avoid the high cost of credit by saving money instead, but you can get a much clearer idea of what you can and cannot afford.

Saving demands a purpose. Without a purpose, money saved too often becomes money spent on the first "bargain" that comes along. Make a list of your financial goals and build your savings with the intention of reaching them.

Saving demands a purpose. Without a purpose, money saved too often becomes money spent on the first "bargain" that comes along.

### SAVING FOR FINANCIAL GOALS

Your financial goals can be anything you want them to be. Unless you're an excellent bookkeeper, it usually makes sense to divide them into short-, intermediate-, and long-term goals and to establish separate savings accounts for each category. One method of categorizing these accounts is by how long it's likely to take you to save up for a particular goal. For example:

- Short-term savings: less than 3 months
- Intermediate-term savings: 3 months to a year
- Long-term savings: more than a year

An alternative method for classifying your financial goals is by the dollar amount. Save up and pay for each goal out of its designated account. For example:

- Short-term savings: \$1 to \$300
- Intermediate-term savings: \$301 to \$1,000
- Long-term savings: \$1,001 or more

Yet another method is to simply categorize your goals by the names of the items for which you'll be saving. For example:

- Short-term savings: sporting goods, special dinners out, clothes, etc.
- Intermediate-term savings: vacations, holiday expenses, new appliances, etc.
- Long-term savings: vehicles, retirement, down payment for a home, etc.

### THREE IMPORTANT SAVINGS GOALS

While most financial goals differ from person to person, some are important for everyone to consider.

#### Emergency Savings

One of the most frequently overlooked types of savings is emergency savings. Ironically, this is probably the most important savings account anyone can have. Cars and appliances break down, and unexpected trips to the doctor or dentist come up. Unfortunately, credit becomes your safety net when you don't have emergency savings. Just as borrowing for goals leads to unnecessary interest costs and fees, so does borrowing for emergencies. For example:

- If you lose your job and put \$7,500 on a typical credit card for living expenses over the next three months, it will take you 108 months—at payments of \$150 a month and an

interest rate of 20%—to pay back that debt. The cost of the original debt will have more than doubled—to \$16,200, including \$8,700 in interest—by the time you've paid it off.

- By contrast, if you withdraw \$7,500 from savings during those three jobless months, you'll be able to replace that entire amount by making \$150-a-month savings deposits for only 39 months. Because your savings account will earn interest, you won't even need to repay the entire amount, because the earned interest will take care of some of it.

Research indicates that an ideal emergency savings fund is one in which three to six months' worth of expenses are available in a relatively high-interest, but liquid, account that can be easily accessed—but not so easily that you're tempted to use it for other things. It should be a separate account that is used only for occasional emergencies.

Experts recommend the "Pay Yourself First" principle for emergency savings. You pay yourself first by placing 10% of your net monthly income into an emergency savings account *before* paying any of your bills. (Your net income is what's left in your paycheck after taxes and other employment-related costs have been deducted.)

If you can't set aside 10% right away, simply start by setting aside \$1, \$5, or \$10. The key is to make saving for emergencies an automatic habit. The easiest way to do this is to set up the account so that the transfer of funds occurs automatically.

### Home Down Payments

Most financial experts agree that it's a good idea to eventually own a home and to build equity in it. In addition to your other savings accounts, plan to establish a separate one for the specific purpose of saving for a down payment. Having 20% or more of a home's purchase price available as a down payment is an excellent way to save money. Without a 20% down payment:

- You'll be forced to pay an extra 0.5% for Private Mortgage Insurance, which has no benefit to you—only to the lender.
- You'll pay more in interest and fees because you'll need to borrow a larger amount.
- You may have to settle for a subprime mortgage product or an otherwise more expensive, non-traditional loan.
- You may not be eligible for a home loan at all.

If you're already in a home with a mortgage, it's a good idea to pay extra on your monthly mortgage payment, whenever possible, so that it takes less time to own your home outright. Larger payments help by:

- Reducing the amount of interest you'll have to pay over the life of the mortgage
- Ultimately giving you more security (you can't lose a paid-up home to foreclosure, unless you default on property taxes)
- Lowering your monthly income requirements (paid-up homes are especially great for retirees living on a fixed income)

Most Americans call themselves homeowners but, in truth, they're simply mortgage-payers who don't yet own their homes.

### Retirement

Studies indicate that traditional sources of retirement income are diminishing steadily from year to year. The younger you are, the more likely it is that you'll be relying on your own savings and investments for most of your retirement income.

A retirement investment can be as simple as a mutual fund 401(k) or an Individual Retirement Account (IRA). Sometimes these accounts require minimum investment amounts, such as an initial \$3,000 to start them. If that's the case, consider opening a separate savings account dedicated strictly to building up this deposit.

Just as with emergency savings, experts say you should "pay yourself first" for retirement by moving 10% of the net income from every paycheck directly into your retirement account. If you start early and do this your whole life, you should have plenty of investment income available for retirement. Start today!

For more information about planning for retirement, see:

- [eXtension: Planning for a Secure Retirement](#)
- [Iowa State University Extension: Retirement Planning](#)

## WHERE TO SAVE

The best place to keep savings depends on what you're saving for. If it's a down payment on a home, a Certificate of Deposit (CD) might be a very good place for a portion of your savings because the money won't be needed for a while and can potentially earn a higher rate. On the other hand, retirement savings should rarely be held in a CD because CDs won't produce a long-term return that beats inflation; instead, they should be placed in investment-account vehicles.

In saving for short- and intermediate-term goals as well as emergencies, it's almost always a bad idea to use CDs or investment accounts: if you need to withdraw money early from a CD, you'll pay penalties, and investment accounts may have a depressed value when you need them. What usually makes sense is to keep these types of savings in a relatively high-interest savings or money market account, where your funds will be liquid or accessible.

For more information on the pros and cons of different types of savings accounts and CDs, follow these links:

- [University of Arkansas Extension: Savings Choices for Beginning Savers](#)
- [University of Illinois Extension: More for Your Money](#)

Online savings accounts are another alternative to traditional savings accounts. At first, these types of accounts were offered by nontraditional financial institutions that had no physical location but rather kept all of your financial records on the Internet. More recently, traditional brick-and-mortar establishments have begun to compete with online banks by offering their own online accounts on the Internet. The advantage to online savings accounts is that they have very low overhead and thus give the saver a relatively high rate of return. Learn more about online banking services at the following links:

- [University of Idaho Extension: Are You Ready for Online Banking?](#)
- [University of Idaho Extension: Earn More from Your Savings Account](#)

Like any other product, it's a terrific idea to comparison shop for rates on savings accounts and other banking products before choosing one.

## YOUR NET WORTH

In his book *The Millionaire Mind*, T. Harv Eker said that poor people talk about promotions, salary increases, and bonuses, but rich people talk about increases in net worth. That's because only increases in net worth show improvement in your overall financial picture, while bonuses and salary increases can quickly be spent with little to show for them. The accounting of your net worth includes both your savings and your liabilities (such as any debts you have). It's also a measure of your investment decisions.

Calculate your net worth using our [Net Worth Statement](#). Do this at least yearly. Make it your goal not only to save but to increase your overall net worth from year to year.

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## 66 Ways to Save Money

### THIRD EDITION

For most kinds of purchases, you can get valuable advice and comparisons on the Internet. Ask a librarian or friends which Internet sites they think are helpful, or you can use a search engine like Google or Yahoo. Be aware that information you find is often biased. At many websites, the only products or sellers listed are ones that pay to advertise. Before buying anything on the Internet, check several websites and make sure you deal with reputable dealers.

## Transportation

### Airline Fares

1. Compare low-cost carriers with major carriers that fly to your destination. Remember, the best fares may not be out of the airport closest to you.
2. You may save by including a Saturday evening stay-over or by purchasing the ticket at least 14 days in advance. Ask which days of the week and times of the day have the lowest fare.
3. Even if you are using a travel agent, check airline and Internet travel sites, and look for special deals. If you call, always ask for the lowest fare to your destination.

### Car Rental

4. Since car rental rates can vary greatly, compare total price (including taxes and surcharge) and take advantage of any special offers and membership discounts.
5. Rental car companies offer various insurance and waiver options. Check with your automobile insurance agent and credit card company in advance to avoid duplicating any coverage you may already have.

### New Cars

6. You can save thousands of dollars over the lifetime of a car by selecting a model that combines a low purchase price with low depreciation, financing, insurance, gasoline, maintenance, and repair costs. Ask your local librarian for new car guides that contain this information.
7. Having selected a model and options you are interested in, you can save hundreds of dollars by comparison shopping. Get price quotes from several dealers (over the phone or Internet) and let each know you are contacting the others.
8. Remember there is no "cooling off" period on new car sales. Once you have signed a contract, you are obligated to buy the car.

### Used Cars

9. Before buying any used car:
  - Compare the seller's asking price with the average retail price in a "bluebook" or other guide to car prices which can be found at many libraries, banks, and credit unions.
  - Have a mechanic you trust check the car, especially if the car is sold "as is."
10. Consider purchasing a used car from an individual you know and trust. They are more likely than other sellers to charge a lower price and point out any problems with the car.

### Auto Leasing

11. Don't decide to lease a car just because the payments are lower than on a traditional auto loan. The leasing payments are lower because you don't actually own the car.
12. Leasing a car is very complicated. When shopping, consider the price of the car (known as the capitalized cost), your trade-in allowance, any down payment, monthly payments, various fees (excess mileage, excess "wear and tear," end-of-lease), and the cost of buying the car at the end of the lease. A valuable source of information about auto leasing can be found in [Keys to Vehicle Leasing: A Consumer Guide](#), which is published by the Federal Reserve Board and Federal Trade Commission.

## Gasoline

13. You can save hundreds of dollars a year by comparing prices at different stations, pumping gas yourself, and using the lowest-octane called for in your owner's manual.
14. You can save up to \$100 a year on gas by keeping your engine tuned and your tires inflated to their proper pressure.

## Car Repairs

15. Consumers lose billions of dollars each year on unneeded or poorly done car repairs. The most important step that you can take to save money on these repairs is to find a skilled, honest mechanic. Before you need repairs, look for a mechanic who:
  - is certified and well established;
  - has done good work for someone you know; and
  - communicates well about repair options and costs

## Insurance

### Auto Insurance

16. You can save several hundred dollars a year by purchasing auto insurance from a licensed, low-price insurer. Call your state insurance department for a publication showing typical prices charged by different companies. Then call at least four of the lowest-priced, licensed insurers to learn what they would charge you for the same coverage.
17. Talk to your agent or insurer about raising your deductibles on collision and comprehensive coverage to at least \$500 or, if you have an old car, dropping this coverage altogether. This can save you hundreds of dollars on insurance premiums.
18. Make certain that your new policy is in effect before dropping your old one.

### Homeowner/Renter Insurance

19. You can save several hundred dollars a year on homeowner insurance and up to \$50 a year on renter insurance by purchasing insurance from a low-price, licensed insurer. Ask your state insurance department for a publication showing typical prices charged by different licensed companies. Then call at least four of the lowest priced insurers to learn what they would charge you. If such a publication is not available, it is even more important to call at least four insurers for price quotes.
20. Make certain you purchase enough coverage to replace the house and its contents. "Replacement" on the house means rebuilding to its current condition.
21. Make certain your new policy is in effect before dropping your old one.

### Life Insurance

22. If you want insurance protection only, and not a savings and investment product, buy a term life insurance policy.
23. If you want to buy a whole life, universal life, or other cash value policy, plan to hold it for at least 15 years. Canceling these policies after only a few years can more than double your life insurance costs.
24. Check the [National Association of Insurance Commissioners](http://www.naic.org) website or your local library for information on the financial soundness of insurance companies.

## Banking/Credit

### Checking Accounts and Debit Cards

25. You can save more than \$100 a year in fees by selecting a free checking account or one with no minimum balance requirement. Request a complete list of fees that are charged on these accounts, including ATM and debit card fees.
26. See if you can get free or lower cost checking through direct deposit or agreeing to ATM only use. Be aware of charges for using an ATM not associated with your financial institution.

## Savings Products

27. Before opening a savings account, find out whether the account is insured by the federal government (FDIC for banks or NCUA for credit unions). Financial institutions offer a number of products, such as mutual funds and annuities, which are not insured.
28. Once you select a type of savings account, use the telephone, newspaper, and Internet to compare rates and fees offered by different financial institutions, including those outside your city. These rates can vary a lot and, over time, can significantly affect interest earnings.
29. To earn the highest return on savings (annual percentage yield) with little or no risk, consider certificates of deposit (CDs) or U.S. Savings Bonds (Series I or EE).

## Credit Cards

30. To avoid late payment fees and possible interest rate increases on your credit cards, make sure you send in your payment a week to ten days before the statement due date. Late payments on one card can increase fees and interest rates on other cards.
31. You can avoid interest charges, which may be considerable, by paying off your entire bill each month. If you are unable to pay off a large balance, pay as much as you can. Try to shift the remaining balance to a credit card with a lower annual percentage rate (APR). You can find listings of credit card plans, rates, and terms on the Internet, in personal finance magazines, and in newspapers.
32. Be aware that credit cards with rebates, cash back, travel awards, or other perks may carry higher rates or fees.

## Auto Loans

33. To save as much as several thousand dollars in finance charges, pay for the car in cash or make a large down payment. Always get the shortest term loan possible as this will lower your interest rate.
34. Make certain to get a rate quote (or preapproved loan) from your bank or credit union before seeking dealer financing. You can save as much as \$1000 in finance charges by shopping for the cheapest loan.
35. Make certain to consider the dollar difference between low-rate financing and a lower sale price. Remember that getting zero or low-rate financing from a dealer may prevent you from getting the rebate.

## First Mortgage Loans

36. Although your monthly payment may be higher, you can save tens of thousands of dollars in interest charges by shopping for the shortest term mortgage you can afford. For each \$100,000 you borrow at a 7% annual percentage rate (APR), for example, you will pay over \$75,000 less in interest on a 15-year fixed rate mortgage than you would on a 30-year fixed rate mortgage.
37. You can save thousands of dollars in interest charges by shopping for the lowest-rate mortgage with the fewest points. On a 15-year \$100,000 fixed-rate mortgage, just lowering the APR from 7% to 6.5% can save you more than \$5,000 in interest charges over the life of the loan, and paying two points instead of three would save you an additional \$1,000.
38. Check the Internet or your local newspaper for mortgage rate surveys, then call several lenders for information about their rates (APRs), points, and fees. If you choose a mortgage broker, make certain to compare their offers with those of direct lenders.
39. Be aware that the interest rate on most adjustable rate mortgages (ARMs) can vary a great deal over the lifetime of the loan. An increase of several percentage points might raise payments by hundreds of dollars a month, so ask the lender what the highest possible monthly payment might be.

## Mortgage Refinancing

40. Consider refinancing your mortgage if you can get a rate that is lower than your existing mortgage rate and plan to keep the new mortgage for at least several years. Calculate precisely how much your new mortgage (including points, fees and closing costs) will cost and whether, in the long run, it will cost less than your current mortgage.

## Home Equity Loans

41. Be cautious in taking out home equity loans. The loans reduce or may even eliminate the equity that you have built up in your home. (Equity is the cash you would have if you sold your house and paid off your mortgage loans.) If you are unable to make payments on home equity loans, you could lose your home.



42. Compare home equity loans offered by at least four reputable lending institutions. Consider the interest rate on the loan and the annual percentage rate (APR), which includes other costs, such as origination fees, discount points, mortgage insurance, and other fees. Ask if the rate changes, and if so, how it is calculated and how frequently, as this will affect the amount of your monthly payments.

## Housing

### Home Purchase

43. You can often negotiate a lower sale price by employing a buyer broker who works for you, not the seller. If the buyer broker or the broker's firm also lists properties, there may be a conflict of interest, so ask them to tell you if they are showing you a property that they have listed.
44. Do not purchase any house until it has been examined by a home inspector that you selected.

### Renting a Place to Live

45. Do not limit your rental housing search to classified ads or referrals from friends and acquaintances. Select buildings where you would like to live and contact their building manager or owner to see if anything is available.
46. Remember that signing a lease probably obligates you to make all monthly payments for the term of the agreement.

### Home Improvement

47. Home repairs often cost thousands of dollars and are the subject of frequent complaints. Select from among several well established, licensed contractors who have submitted written, fixed-price bids for the work.
48. Do not sign any contract that requires full payment before satisfactory completion of the work.

### Major Appliances

49. Consult Consumer Reports, available in most public libraries, for information about specific appliance brands and models and how to evaluate them, including energy use. There are often great price and quality differences. Look for the yellow Energy Guide label on products, and especially for products that have earned the government's ENERGY STAR, which can save up to 50% in energy use.
50. Once you've selected a specific brand and model, check the Internet or yellow pages to learn what stores carry the brand. Call at least four of these stores to compare prices and ask if that's the lowest price they can offer you. This comparison shopping can save you as much as \$100 or more.

### Heating and Cooling

51. A home energy audit can identify ways to save up to hundreds of dollars a year on home heating (and air conditioning). Ask your electric or gas utility if they audit homes for free or for a reasonable charge. If they do not, ask them to refer you to a qualified professional.
52. Enrolling in load management programs and off-hour rate programs offered by your electric utility may save you up to \$100 a year in electricity costs. Call your electric utility for information about these cost-saving programs.

## Utilities

### Telephone Service

53. Once a year, review your phone bills for the previous three months to see what local, local toll, long distance, and international calls you normally make. Call several phone companies which provide service in your area (including wireless and cable), to find the cheapest calling plan that meets your needs. Consider a bundled package that offers local, local toll and long distance, and possibly other services, if you heavily use all the services in the bundle.
54. Check your phone bill to see if you have optional calling features or additional services, such as inside wire maintenance, that you don't need. Each option you drop could save you \$40 or more each year.
55. If you make very few toll or long distance calls, avoid calling plans with monthly fees or minimums. Or consider disconnecting the service altogether and use dial around services such as 10-10 numbers or prepaid phone cards for your calls. When shopping for dial around service, look for fees, call minimum, and per minute rates. Treat prepaid cards as cash and find out if there is an expiration date.

56. If you use a cell phone, make sure your calling plan matches the pattern of calls you typically make. Understand peak calling periods, area coverage, roaming, and termination charges. Contracts offered by most carriers will provide you with a trial period of 14 days or more. Use that time to make sure the service provides coverage in all the places you will be using the phone (home, work etc.). Prepaid wireless plans tend to have higher per minute rates and fees but may be a better option if you use the phone only occasionally.
57. Before making calls when away from home, compare per minute rates and surcharges for cell phones, prepaid phone cards, and calling card plans to find how to save the most money.
58. Dial your long distance calls directly. Using an operator to place the call can cost you up to \$10 extra. To save money on information calls, look the number up on the Internet, or in the directory.

## Other

### Food Purchased at Markets

59. You can save hundreds of dollars a year by shopping at lower-priced food stores. Convenience stores often charge the highest price.
60. You will spend less on food if you shop with a list, take advantage of sales, and purchase basic ingredients, rather than pre-packaged components or ready-made items.
61. You can save hundreds of dollars a year by comparing price-per-ounce or other unit prices on shelf labels. Stock up on those items with low per-unit costs.

### Prescription Drugs

62. Since brand name drugs are usually much more expensive than their generic equivalents, ask your physician and pharmacist if a less expensive generic or an over the counter alternative is available.
63. Since pharmacies may charge widely different prices for the same medicine, call several. When taking a drug for a long time, also consider calling mail-order pharmacies, which often charge lower prices.

### Funeral Arrangements

64. Plan ahead, making your wishes known about your funeral, memorial, or burial arrangements in writing to save your family or estate unnecessary expense.
65. For information about the least costly options, which may save you several thousand dollars, contact a local Funeral Consumer Alliance or memorial society, which are usually listed in the Yellow Pages under funeral services.
66. Before selecting a funeral home, call several and ask for prices of specific goods and services, or visit them to obtain an itemized price list. You are entitled to this information by law.

66 Ways to Save Money was developed by a working group of representatives from government agencies, consumer groups, business organizations, and educational institutions that sought to develop and publicize money-saving tips. The initiative was managed by the non-profit Consumer Federation of America (CFA).

Over the past decade, nearly two million copies of this brochure have been requested. At present, the publication is among the most popular made available by the Federal Citizen Information Center (FCIC).

66 Ways to Save Money is now being distributed in English and Spanish by CFA and the FCIC. A grant from MoneyManagement International, a nonprofit community service organization offering free credit counseling and financial education (visit [www.MoneyManagement.org](http://www.MoneyManagement.org) or call 1-866-490-5362), covers the cost of printing.

For an online version of this brochure, go to [www.66ways.org](http://www.66ways.org). Single copies of this brochure are available for \$.50 each from Save Money, Pueblo, CO 81009. Make your check or money order payable to Superintendent of Documents. You may also go to the [Federal Citizen Information Center's](http://www.federalcitizeninformationcenter.gov) website and order it online.

For information on bulk orders contact: Save Money, Consumer Federation of America, 1620 Eye Street, NY, Suite 200, Washington, D.C. 20006 or email [66ways@consumerfed.org](mailto:66ways@consumerfed.org).

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a [complaint](http://www.ftc.gov/complaint) or get [free information on consumer issues](http://www.ftc.gov/freeinformation), visit [ftc.gov](http://ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. Watch a video, [How to File a Complaint](http://www.ftc.gov/video), at [ftc.gov/video](http://ftc.gov/video) to learn more. The FTC enters consumer complaints into the [Consumer Sentinel Network](http://www.consumer Sentinel Network), a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.



## General

- Save your loose change. Putting aside fifty cents a day over the course of a year will allow you to save nearly 40% of a \$500 emergency fund.
- Keep track of your spending. At least once a month, use credit card, checking, and other records to review what you've purchased. Then, ask yourself if it makes sense to reallocate some of this spending to an emergency savings account.
- Never purchase expensive items on impulse. Think over each expensive purchase for at least 24 hours. Acting on this principle will mean you have far fewer regrets about impulse purchases, and far more money for emergency savings.
- Use debit and credit cards prudently. To minimize interest charges, try to limit credit card purchases to those you can pay off in full at the end of the month. If you use a debit card, don't rely on an overdraft feature to spend money you don't have. With either approach, you'll have more money available for emergency savings.
- Are you looking for an effective way to establish a budget? Beginning on the first day of a new month, get a receipt for everything you purchase. Stack and review receipts at the end of the month, and you will clearly be able to see where your money is going.
- It pays to practice preventative dental care, since a good cleaning routine helps prevent fillings, root canals, and dental crowns, which are expensive and no fun.
- Most people don't track what they spend and may not realize when expenses add up to more than their budget can handle. To keep track of what I spend, I put what I think I should spend for the month on transportation, food, entertainment, etc., into envelopes. This helps me avoid buying things I don't need, and what's left over goes into saving.
- Take advantage of discounts and/or incentive programs provided through your employer. For example, the company I work for offers discounted rates for computers, fitness center memberships, movie tickets and passes to summer festivals. Check your corporate intranet or talk to your human resources representative. And don't forget the best deal of all – investing in your 401(k)!
- One way to establish a savings discipline is to "save" an amount equal to whatever is spent on nonessential indulgences. Put a matching amount in a cookie jar for expenditures for beer, wine, cigarettes, designer coffee, etc. If you can't afford to save the matching amount, you can't afford the \$4 super almond low-fat latte.
- Take the amount the item costs and divide it into your hourly wage. If it's a \$50 pair of shoes and you make \$10 an hour, ask yourself, are those shoes really worth five long hours of work? It helps keep things in perspective.
- Aim for short-term savings goals, such as setting aside \$20 a week or month rather than long term savings goals, such as \$200 over a year. People save more successfully when they keep the short-term goal in sight.
- Save money by buying items online, in bulk. Some companies even offer free shipping on large orders. Clearance items are sometimes available, and good savings can be found on non-perishable groceries and diapers. This saves time and money!

## Food

- Substitute coffee for expensive coffee drinks. The \$2 a day you could well save by buying a coffee rather than a cappuccino or latte would allow you, over the course of a year, to completely fund a \$500 emergency fund.
- Bring lunch to work. If buying lunch at work costs \$5, but making lunch at home costs only \$2.50, then in a year, you could afford to create a \$500 emergency fund and still have money left over.
- Eat out one fewer time each month. If it costs you \$25 to eat out, but only \$5 to eat in, then the \$20 you save each month allows you to almost completely fund a \$500 emergency savings account
- Shop for food with a list and stick to it. People who do food shopping with a list, and buy little else, spend much less money than those who decide what to buy when they get to the food market. The annual savings could easily be hundreds of dollars.

## Prescription and Over-the-Counter Drugs

- Ask your physician to consider prescribing generic drugs. Generic drugs can cost several hundred dollars less to purchase annually than brand-name drugs.



- Find the lowest-cost place to purchase prescription drugs. Make sure to check out not only your local pharmacist but also local supermarkets, area discount centers, and mail-order pharmacies
- Purchase storebrand over-the-counter medications. Storebrand medications often cost 20-40 percent less than nationally advertised brands. The savings could easily exceed \$100 a year.

## Banking

- Avoid bouncing checks or overdraft fees each month. The \$20-30 you save by not bouncing a check each month would save you enough money to nearly fully fund a \$500 emergency savings account.
- Reduce credit card debt by \$1,000. That \$1,000 debt reduction will probably save you \$150-200 a year, and much more if you're paying penalty rates of 20-30%.
- Make your monthly credit card payment on time. The \$30-35 you save by not being charged a late fee each month on one card would save you most of the money you need for \$500 in emergency savings
- Use only the ATMs of your bank or credit union. Using the ATM of another financial institution once a week could well cost you \$3 a withdrawal, or more than \$150 over the course of a year.

## Insurance

- Shop around for auto and homeowners' insurance: Before renewing your existing policies each year, check out the rates of competing companies (see the website of your state insurance department). Their annual premiums may well be several hundred dollars lower.
- Raise the deductibles on auto and homeowners' insurance: Being willing to pay \$500-1,000 on a claim, rather than only \$100-250, can reduce annual premiums by as much as several hundred dollars.
- Assess your need for life insurance coverage. If your children are now on their own, or if your spouse works, you may not need as much life insurance protection. The annual premiums on a term life policy would typically fully fund an emergency savings account
- Consider dropping credit insurance coverage on installment loans. Many consumers don't need credit insurance because they have sufficient assets to protect themselves in the event of death, disability, or unemployment. Terminating this coverage often reduces financing costs by three percentage points, a savings of about \$1,000 on a four-year \$20,000 installment loan.

## Transportation

- Keep your car engine tuned and its tires inflated to their proper pressure. Doing both can save you up to \$100 a year in gas.
- Shop around for gas. Comparing prices at different stations and using the lowest-octane (recommended by the car owner's manual) can save you hundreds of dollars a year.
- When driving, avoid fast start-ups and stops. Over time, you will save hundreds of dollars on lower gas and maintenance costs.
- Take fewer cab rides. Using public transit instead of cabs can save you \$5-10 per trip or more. If you're a frequent cab user, the savings could completely fund your emergency savings account
- Check all airlines for cheap fares. Since no website lists all discount carriers, also check out the websites of discount carriers like Southwest and Jet Blue, possibly saving you hundreds of dollars.

## Housing

- Don't pay for space you don't need. Americans have relatively large houses and apartments. Think about more efficiently using space so you can purchase or rent less square footage. Live relatively near your workplace. While this isn't always possible, driving 5,000 miles less a year can lower transportation costs by more than \$1,000.
- Refinance your mortgage to lower interest charges. Consider refinancing your mortgage to lower the rate and term. On a 15-year \$100,000 fixed-rate mortgage, lowering the rate from 7% to 6.5% can save you more than \$5,000 in interest charges over the life of the loan. For each \$100,000 you borrow at a 7% rate, you will pay over \$75,000 less in interest on a 15-year than a 30-year fixed rate mortgage. And, you will accumulate home equity more rapidly, thus increasing your ability to cover large emergency expenditures.



- Choose home repair contractors wisely. Favor contractors who have successfully performed work for people you know. Insist on a written, fixed-price bid. Don't make full payment until satisfactory completion of the work.

## Home Heating and Cooling

- Ask your local electric or gas utility for a free or low-cost home energy audit. The audit may reveal inexpensive ways to reduce home heating and cooling costs by hundreds of dollars a year. Keep in mind that a payback period of less than three years, or even five years, usually will save you lots of money in the long-term.
- Weatherproof your home. Caulk holes and cracks that let warm air escape in the winter and cold air escape in the summer. Your local hardware store has materials, and quite possibly useful advice, about inexpensively stopping unwanted heat or cooling loss
- Use window coverings to block or let in sunshine. In summer, use these coverings to block sunlight, keeping your house cool. In winter, open the coverings to let sunshine warm the house. You could easily save more than \$100 annually while being more comfortable.

## Clothing

- Look for sales at discount outlets. There are huge price differences between clothing on sale at discount stores and that sold regularly at many department and specialty stores, though keep in mind that prices at the latter are often deeply discounted.
- Consider purchasing previously-used clothes from Good Will, second-hand stores, or school or church thrift sales. With a little effort, you can find low-priced, high-quality used clothing items that can be worn for many years.
- Assess clothing in terms of quality as well as price. An inexpensive shirt or coat is a poor bargain if it wears out in less than a year. Consider fabric, stitching, washability, and other quality related factors in your selection of clothes
- Clean clothes inexpensively. Wash and iron clothes yourself. If you use a cleaner, compare prices at different establishments. A 50 cent difference in cleaning a shirt, for example, can add up to \$100 a year.

## Communications

- Assess your communications costs. As Internet and wireless use grows, many consumers are overpaying for unneeded communications capacity. For example, if you have a cell phone and two phone lines -- one for your computer -- consider receiving personal calls on your cell phone so you can give up one of the phone lines.
- Communicate by e-mail rather than by phone. If you're on-line, e-mail communications are virtually free. Even for subscribers, landline and wireless calls often carry per-minute charges.
- Be aware of your cell phone costs and how to reduce them. Cell phone use has dramatically increased communications expenditures in many households. Understand peak calling periods, area coverage, roaming, and termination charges. Make sure your calling plan matches the pattern of calls you typically make.

## Entertainment

- Research free or inexpensive entertainment in your community. Use local newspapers and websites to learn about free or low-cost parks, museums, film showings, sports events, and other places which you and your family would enjoy.
- Give up premium cable channels or better yet, cable all together. It's a lot cheaper to rent one film a week than watch one on premium cable channels that may cost more than \$500 a year.
- Borrow books rather than purchasing them. Borrowing books and reading magazines at your local library, rather than purchasing reading material, can save you hundreds of dollars a year.
- Attend high school rather than college or pro sports events. High school sports events rarely cost more than \$5 and are often free, with hot dogs and sodas typically costing \$1-2. College and pro football and basketball games rarely cost less than \$20, and their concessions are usually several times more expensive.

## **Family and Friends**

- Plan gift-giving well in advance. That will give you time to decide on the most thoughtful gifts, which usually are not the most expensive ones. And if these gifts are products that must be purchased, you will have the opportunity to look for sales.
- In families, discuss limits on spending for gifts. These limits not only tend to reduce expenditures; they also be greatly appreciated by the least affluent family members.
- Socialize at pot-luck meals rather than at restaurants. Because one wants to be generous to friends and family, there may be huge cost savings here.
- Consider writing letters instead of making frequent phone calls. Thoughtful letters are usually far more highly valued than phone conversations, and they are often saved by recipients for future reading.

# SLASHING EXPENSES BOOSTING SAVINGS

BY: ADRIE J. ROBERTS  
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EXTENSION  
**UtahState**  
UNIVERSITY

A recent study reported that 42 percent of American households have \$1,000 or less in combined checking and savings accounts, CDs, mutual funds, stocks and bonds. What would happen if someone were to lose a job or become ill? With \$1,000 in savings, it's hard to imagine saving for retirement. Unless we start saving more money now, retirement will not be as ideal as we would hope it to be. In addition to retirement, savings can be used to accomplish financial goals such as going on vacation, graduating from college, or building a dream home. Consider these ideas to boost savings and slash expenses. to double the amount of money you save to accomplish your goals and dreams.

1. **Start saving today!** It doesn't have to be a large sum—even small amounts add up over time.
2. **Work overtime or an extra shift at least once a month**, if possible, and save it.
3. **Participate in a 401(k) or 403(b) plan** through your employer. If your employer matches, you are making free money. Contributing now will reduce your taxable income and help you save for the future.
4. **Take advantage of all employer-sponsored benefits**, such as flex-spending accounts, retirement plans and direct deposit to save time and money.
5. **Use employer-sponsored health plans.** These plans allow you to pay for health-care premiums on a tax-free basis.
6. **Use your tax return to build savings instead of spending it.**
7. **When you pay off a debt, keep making the payments—but to yourself in a savings account.**
8. **Have a set percentage automatically put into a savings account each paycheck.**
9. **Empty your pockets, purse, or wallet at the end of each day into a jar.** Put this money into savings every few weeks.
10. **Carry adequate insurance, so you don't have to use your savings if any disaster or accident were to occur.**
11. **If you have the discipline to use a credit card and pay it off each month, use a card that offers cash back awards and save it.**
12. **If you are trying to lose weight, each time you go without dessert pay yourself what it would have cost.** Save money and lose weight at the same time!
13. **Save one pay check a year.** This will be easy if you get paid biweekly, because a few times a year you get an extra paycheck a month.
14. **Save your raise.** Next time you get a raise, save the increase. If you aren't used to that money, you won't miss it, and you'll build your savings.
15. **Get the whole family involved in savings!** Have a goal and work together with everyone to accomplish it.

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# SLASHING EXPENSES

## SLASHING YOUR CLOTHING EXPENSES

BY: TERESA HUNSAKER, ADRIE J. ROBERTS  
AND MELANIE D. JEWKES

EXTENSION  
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A hundred dollars for a pair of sports shoes? Are you kidding? The price of clothing has gone up, right along with everything else. Finding ways to save on your clothing budget is becoming a challenge. No matter how thrifty you think you are, there's always something more you can do to save money. Below is a list of ways to stretch your budget even further. While you may already be doing some of these things, it's likely you can find at least a few new ideas to add to your list.

1. **Take advantage of off-season sales.** This takes planning, but can save a lot of money. For example, stock up on children's clothing after the back-to-school sales have passed, or buy winter boots during January sales.
2. **Mend clothing properly.** Resole and polish shoes instead of buying a new pair.
3. **Deodorize sneakers.** Fill the foot of knee-high nylons with unused cat litter, tie the end, and put it in the shoes overnight.
4. **Leave your good pair of business shoes at the office.** Change into an older pair when you leave. Nice shoes will last longer this way.
5. **Don't buy clothing at regular price.** With manufacture outlets, discount mail-order catalogs, internet shopping, and sales, you should never pay full-ticket price.
6. **When shopping online or through a catalog, be wary of shipping costs.** Sometimes added shipping costs will offset the money you saved.
7. **Buy fewer clothing items that last longer.** Rethink your wardrobe to include fewer pieces. Those pieces should be classic items which look great year in and year out. Avoid trends and fads—they change too quickly.
8. **Buy clothing that is washable and easy to care for.** Dry cleaning bills can add up. Be careful not to over-wash.
9. **Use less detergent when washing.** Most laundry doesn't need as much detergent as recommended.
10. **Follow instructions carefully when laundering clothing.** Also, consider using a clothes line or a drying rack as opposed to the dryer to save money on energy.
11. **Hang clothes properly for longer life.**
12. **Avoid over-accessorizing.** Costs can add up quickly if you buy accessories for every outfit.
13. **Before buying new clothing, take an inventory of each family member's wardrobe.** Determine which items need to be replaced or added. Repair or remodel present clothing and swap items with other family members or friends. Develop the attitude that "hand-me-downs" are not only less expensive, but can also be enjoyable.
14. **Change into old (washable) clothing while doing dirty at-home tasks.** Also, have children change into old, worn clothing to play.
15. **Donate unused items to charity and enjoy the tax deduction.**
16. **Find and shop at consignment shops.** Much of the high-quality, previously-owned clothing is sold for 70-85 percent of the new price.
17. **Buy clothing with basic colors such as blue, black and gray.** These colors can be easily interchanged to create varied outfits.

18. **Take clothing you no longer wear to a consignment shop.** You might be surprised at how much they will pay you for something you almost threw away.
19. **Stop buying what you don't need. Don't fill your closet with clothes you rarely wear or don't wear at all.**

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# SLASHING EXPENSES

## SLASHING YOUR GROCERY BILL

BY: KATHLEEN RIGGS, ADRIE J. ROBERTS  
AND MELANIE D. JEWKES

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Even though the American food supply remains inexpensive when compared to other countries, there are a number of ways families can reduce the amount of income spent on groceries and still provide low-cost, nutritious meals at home. Below is a list of easy-to-implement tips. Work on two or three at a time, two to three weeks at a time to see which ones are most applicable to your budget and family. Soon you will develop strategies that are effective and that will improve not only your budget, but perhaps your health as well.

1. **Buy in bulk.** Purchasing sale items that are goods used on a regular basis can cost a lot less in large quantities. But, be aware of expiration dates and only buy if you can use it within the freshness or expiration date listed.
2. **Price book.** Keep track of prices between various stores with a book or other system.
3. **Eliminate convenience foods.** Think of convenience foods as pre-packaged meals made by someone else to make profit. These meals are usually high in fat and/or sodium and are typically not the best choice. Try cooking two casseroles and freezing one to eat later or home food preservation in place of these convenience foods.
4. **Generic Brands.** The majority of store brands are simply labeled differently but processed at the same plants as national brands. Sometimes there are "seconds" or "ends," so it may require sampling before you make a switch.
5. **Avoid expensive cuts of meat.** Did you know that beef brisket can be slow-cooked in an oven bag, shredded and passed off as a loin or sirloin cut? Many times it just takes more time and moisture to prepare a less expensive cut to an equally satisfying manner. Check cost per serving, because less expensive cuts tend to have higher fat content and therefore more waste in the end.
6. **Portion control.** Studies show that overall, Americans are getting heavier and less active. Eat less and stay slimmer and healthier. Most restaurants today serve portions double or triple the size we should be eating. Avoid making the same mistake at home.
7. **Garden.** Growing just a few vegetables every summer can save on the food budget. Plus, eating fresh food is always a healthy choice. For tips on gardening, visit your local Extension office.
8. **Prepare food from scratch.** This helps avoid unnecessary fillers, such as preservatives, that manufacturers add to maintain a longer shelf life. Preparing meals from scratch may take a bit more time, but can save a lot of money.
9. **Take advantage of case lot sales.** For frequently used items, case lot sales are a great way to save money. Be careful to look for expiration dates, and not to buy damaged containers. Avoid items kept in the sun during a summer parking lot sale, as this significantly reduces quality and shelf life of most food items.
10. **Shop with cash.** Using cash will help you not spend more than you have allowed in your food budget. Use a calculator and allow a little leeway for weighed produce and sales tax.
11. **Use existing food in the home.** Very few homes actually have "nothing" to eat in the cupboard—we just choose not to eat it. Too many times the misuse of coupons, stocking up on sales and shopping while hungry lure us into purchasing food that will stay on the shelf until it is no longer good. Force yourself to make a meal out of what is in the cupboard, and you may be cured of those poor shopping habits.
12. **Select and use coupons carefully.** Many times coupons are marketing schemes. Only use coupons for items you use regularly or would buy even if it didn't have a coupon. Also, remember that sometimes a brand name with a coupon is still more expensive than an off-brand.



13. **Plan meals in advance.** This can save time and the stress of “what’s for dinner?” Have each member of the family participate in making a “menu” for the week. Use the weekly store ads to help prepare both the menu and the shopping list.
14. **Plan around leftovers.** Some foods are actually better the next day. Make leftovers stretch for a second meal. For example, meats can be cut/shredded and made into gravy or pot pies; leftover vegetables can be added to soup stock and noodles. Use your creativity!
15. **Make your own mixes.** Mixes can be used for baking, making soups and gravy and even cookies. Take one day or evening and make several mixes at once. Contact your local USU Extension office for recipes and ideas.
16. **Use your food storage.** Many people have some sort of food storage. If you aren’t using it, it is basically a waste of space and money. Rule of thumb: Store what you use and use what you store.
17. **Shop alone and after you have eaten.** Statistics indicate that people buy more when they are hungry or accompanied by others, especially children. Try to make grocery shopping as stress-free as possible. Organize your grocery list, take a calculator, and know the layout of the store.
18. **Make your own baby food.** It can save a lot of money to blend fruits and vegetables, especially if the rest of the family is eating the same food. There is no need to add salt or sugar to baby food.
19. **Buy by the serving.** Don’t ignore the more expensive boneless cuts of meat. Though bony meats are cheaper per pound, they yield less edible meat per pound.
20. **Find a thrift bakery outlet in your area** and shop there. Not everything is “day old.”
21. **Limit trips to the store.** Multiple trips often mean more “incidental” items added to the cart. If you only need one thing, only buy the one thing. Try to keep things on hand to last through the week.
22. **Use unit pricing.** Compare the cost of similar products of various sizes by weight, volume or count. Check to see if larger quantities are more economical than small ones. Economy sizes aren’t always the best savings.
23. **Try a different brand.** Different brands of the same product can be roughly equal in quality and nutritional value, yet they can vary widely in price. Experiment with products to see where it is worth saving the money. Chances are high that no one will notice any difference in eating quality.
24. **Drink more water.** Adults should drink about eight glasses of water a day. If you drink excessive amounts of soda or juice with high sugar content, chances are you aren’t consuming enough water. Best of all, water is free!
25. **Get out of the rut.** Get out the cookbooks and try something new. Consider making from scratch many of the things you usually buy in prepared form. Attend local cooking classes for new ideas.
26. **Use a shopping list.** Include on the list items needed for the weekly menu and also any items seen in the sales ad. Organize the list by the layout of the store.
27. **Consider group strategies.** A neighborhood group might save by buying in bulk directly from wholesalers and farmers. Or, a shopping club could check the ads for specials and then send members to shop different stores to buy for the whole group. Some stores will honor other stores’ sales or promotional items.
28. **Avoid convenience stores.** There are usually no specials at these types of stores and their regular prices are more expensive than grocery stores.
29. **Take advantage of community resources,** such as free or reduced-priced school lunch programs, if your family qualifies. There are also food stamps and food banks available in most areas.
30. **Use food as a reward sparingly and wisely.** Begin to make treats more special and significant by using them only for special occasions, such as dessert after Sunday dinner, or after chores are done for the week. Young children and growing teenagers need small snacks throughout the day, but make sure these are healthy, nutrient dense and inexpensive.

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# SLASHING EXPENSES

## SLASHING YOUR ENTERTAINMENT EXPENSES

BY: ANN HENDERSON, ADRIE J. ROBERTS  
AND MELANIE D. JEWKES

EXTENSION  
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The fact that unexpected bills have taken more than their share of the budget doesn't mean that family recreation has to stop. There are lots of things to do that are inexpensive or even free. You just need to look around. Below are some inexpensive ideas for family activities and entertainment.

1. **Choose activities that are free or cost a small amount.** Activities such as hiking, picnicking, visiting a local museum, or attending a concert can be not only enjoyable, but free. Also, check into school and community events.
2. **Check out your state or city Web site about upcoming events and activities.** You might be surprised what fun, and usually inexpensive, things there are to do right in your area.
3. **Visit a local pond or lake and fish.**
4. **If you entertain at home, have a potluck affair.** This way, everyone shares the cost of the food.
5. **Make kites and fly them.**
6. **Spend time outside. Play Frisbee or baseball. Go on a picnic or a walk around the park.**
7. **Take your own snacks to the movies,** if the movie theater will allow it.
8. **Go to a movie matinee.** Matinees are cheaper than evening shows. Even cheaper are the "older" releases playing in less expensive theaters.
9. **When eating out, try to go out for lunch,** instead of dinner. It's less expensive.
10. **Cook a meal with your family.** Try homemade ice cream or pizza.
11. **Play board or card games at home.** Pop popcorn or bake cookies for a tasty and not-so-expensive treat.
12. **Have a candle-light dinner at home, and go out for dessert only.**
13. **Read a book together as a family or sing or play musical instruments with each other.**
14. **Make puppets with your children, and then put on a puppet show.**
15. **Visit the public library.** Not only do they have free books, most libraries also have free movies.
16. **Take a family vacation during the off season.** If your travel dates are flexible, save money on lower mid-week rates at hotels.
17. **Start camping for vacations.** This can be a lot cheaper than theme parks, and quieter!
18. **Scrapbook with your family and create pages of activities you have done together.**
19. **Join 4-H and complete a project as a family.**
20. **Attend a free cooking class.** Go home afterward and make something you learned in class. Contact your local Extension agent for a schedule of classes.

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# SLASHING EXPENSES

## SLASHING YOUR MEDICAL BILL

BY: LYNDA SCHADE, ADRIE J. ROBERTS  
AND MELANIE D. JEWKES

EXTENSION  
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With health-care costs on the rise, consumers are regularly looking for ways to lower medical expenses. A good place to begin is by practicing prevention. One of the most effective ways to lower medical expenses over time is to maintain a healthy lifestyle. Kick unhealthy habits and have regular checkups. Consider these additional tips for cutting medical costs.

1. **Remember good health habits.** Good nutrition can cut down on illness and tooth decay. Take vitamin supplements and drink plenty of water. Exercise regularly, and maintain a healthy weight.
2. **Brush and floss your teeth daily.** Save money on dental work by prevention.
3. **Don't smoke.** An average smoking habit will cost about \$1,000 a year (and that doesn't include any medical costs associated with it).
4. **Take advantage of wellness programs and health screenings,** especially if you don't have health insurance. Local clinics and hospitals often provide a variety of screenings such as blood pressure, cholesterol and mammograms.
5. **Learn symptoms of common diseases.** This will help you know when seeing a doctor is advisable.
6. **Don't delay seeing a doctor.** Early treatments of many diseases or injuries is often less expensive.
7. **Remember an ounce of prevention is worth a pound of cure.** Get in the habit of having yearly exams for early detection of potentially serious medical problems.
8. **Learn first aid.** This can help you determine the seriousness of an injury, and whether or not emergency room care is needed.
9. **Contribute to a flex spending account.** This allows you to put pre-taxed dollars in an account which then reimburses you for your out-of-pocket medical expenses, such as prescription drugs, dental care, and co-payments. Contact your employer to sign up for flex spending.
10. **Shop around for health insurance.** Premiums can vary widely, so ask for quotes from at least three companies. Take into account such things as exclusions, limitations, and freedom to choose health care providers. Find out how much you will need to pay in co-payments and deductibles.
11. **Increase the deductibles on your health insurance if you have adequate savings.** This will lessen the cost of your premiums.
12. **Update medical insurance policies.** If you don't have medical insurance, see if you qualify for medical assistance. Contact your local health department on the types of public assistance available.
13. **Always get a second opinion for any major medical procedure.** Doctors can make mistakes.
14. **Examine all hospital, doctor and dentist bills.** Check to make sure the bill accurately reflects the procedures performed and that it takes into account applicable insurance coverage. Contact the billing office if there is a mistake.
15. **Ask for generic prescriptions.** Often, brand name drugs are more expensive than their generic equivalent. Also, use generic over-the-counter drugs, and try to avoid over-use of nonprescription drugs.

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# SLASHING EXPENSES

## SLASHING OTHER EXPENSES

BY: ADRIE J. ROBERTS  
AND MELANIE D. JEWKES

EXTENSION  
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There are many expenses that come and go each day that we may not even think twice about. Most of these expenses can be reduced or eliminated. Below are a few more ideas for those everyday "little" expenses that keep us wondering "where did all my money go?"

1. **Cut your spouse's or children's hair at home.**
2. **Arrange schedules so that one parent is home with the children.** This can save on child care.
3. **Form a babysitting co-op with other parents.**
4. **Recycle.** Find new uses for things that are about to exceed their lifespan. For example, use old, grungy bath towels to wash the car.
5. **Arrange for bills to be deducted automatically from your checking account.** Save money on the cost of mailing (envelopes and stamps), as well as checks and possible late fees.
6. **Don't buy more house than you need.** Try to have your mortgage payment no more than 28% of your gross annual income.
7. **Make an extra mortgage payment a year.** This will save you thousands in interest over the life of your mortgage and pay your home off sooner.
8. **Rent out a room in your home** if you have the extra space.
9. **Beware of home-shopping networks on TV.** All they want you to do is buy, buy, and buy!
10. **Stop magazine or newspaper subscriptions upon renewal,** if you find you no longer or rarely read them.
11. **Reduce monetary giving.** Make gifts or give services (such as babysitting, oil change, house watching, pet care, etc.) in lieu of purchasing a gift.
12. **Consider the cost of habits.** Whether it is smoking, drinking alcohol, or a daily coke, or even the weekly trip to the massage therapist, these habits can be expensive. They can be reduced or eliminated.
13. **Pay more than the minimum payments on debts.** This can save you thousands of dollars in interest charges and pay off your loans more quickly.
14. **Have a reasonable allowance for your children.** Make sure they have a definite understanding of what the allowance covers.
15. **Only use your bank or credit union's ATM.** You'll avoid paying surcharge fees.
16. **Choose checking accounts without monthly fees and minimum balances.** Also, inquire about overdraft protection.
17. **Have your paychecks directly deposited** for faster access.
18. **Consider purchasing perennial plants and flowers to put in your garden as opposed to annuals.** Perennials will come back year after year, whereas annuals will need to be replanted (and therefore re-purchased) yearly.
19. **Always send in for rebates.** Even if it's only for \$1, it all adds up.
20. **Beware of "discount store syndrome."** Just because it's a bargain store doesn't mean you are getting a deal or saving money.
21. **Don't buy checks through your bank, and don't pay extra for "cute" checks.** Do an online search for "cheap checks" to find several check-printing sites.
22. **Replace items only when you cannot repair or get along without them.**
23. **If you are paying for a storage unit, consider reducing the size of your storage.** Have a yard sale to get rid of items you haven't used in years, and make a profit from the sale. If you need what is in storage, consider building shelves in a storage room or in a garage.

**24. Never buy new if used will do.**

**25. Shop for Christmas year-round.** Shop at clearance racks. When holidays roll around, you'll be delighted to have a stash of already-purchased gifts.

**26. Remember that dreaming won't ever cost you a penny.** Dream all you want.

**27. Ask yourself:**

- Can I do without it?
- Can I postpone this purchase?
- Can I substitute something else that costs less?
- Can I use my own skills to make it myself?
- Do I already own it (or something similar)?

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# SLASHING EXPENSES

## SLASHING YOUR TRANSPORTATION BILL

BY: MARGIE P. MEMMOTT, ADRIE J. ROBERTS  
AND MELANIE D. JEWKES



Do you have too much month at the end of the money? With the increase in costs all around us, many of us are looking for additional ways to stretch our incomes to meet our expenses. The following suggestions can help slash your transportation costs and save. Weigh each idea and adjust it to fit your situation and the circumstances of the area where you live.

1. **Carefully plan the use of your vehicle to reduce the amount of driving.** Combine errands to make as few trips as possible.
2. **Car pool or use public transportation when possible.** Even if you only car pool or take the bus once a week, it will make a difference on how much money you spend on transportation.
3. **Walk or ride a bike, especially for short distances.** It's good for your health, too.
4. **Keep tires inflated properly.** Under-inflated can mean poor gas mileage. Over-inflated can put more wear on the tires.
5. **Have regular oil changes and car "checkups."**
6. **Learn basic vehicle maintenance.** Check out a book from the library, and borrow tools if necessary.
7. **Wash your own car.** Have your children help you.
8. **Don't carry more than you need.** Lighter loads allow for better gas mileage.
9. **Think hard before buying new.** Finance charges can be costly, which makes buying a car with cash look even better. New cars are more expensive and depreciate quickly; look at nice, more affordable older vehicles.
10. **Search online to find information on pricing and the value of the car you are looking to purchase.**
11. **Avoid leasing cars.** Even the best lease may cost you more in the long run.
12. **Buy a fuel-efficient car.** Factor in the long-term costs of a car, not just the sale price.
13. **Keep your car longer.** If you want to sell it, consider selling it yourself.
14. **Make sure your automobile is properly insured.** This may prevent unnecessary additional costs caused by an accident.
15. **If your employment is seasonal, arrange with your insurance agent to have the premiums due when you are working.**
16. **Increase the deductibles on your car insurance if you have adequate savings.** This will lessen the cost of your premiums.
17. **Maintain a steady speed** when driving to increase fuel efficiency. Use routes that allow for consistency, rather than numerous stops and starts.
18. **Don't speed.** Save money by never having to pay for a speeding ticket and by getting better gas mileage.

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This publication is issued in furtherance of Cooperative Extension work. Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Neelie Cockett, Vice President for Extension and Agriculture, Utah State University.

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# SLASHING EXPENSES

## SLASHING YOUR UTILITY & HOUSEHOLD MAINTENANCE BILL

BY: ADRIE J. ROBERTS  
AND MELANIE D. JEWKES

EXTENSION  
**UtahState**  
UNIVERSITY

Many of us have experienced a huge increase in utility costs. Electricity and natural gas are two of the most essential services consumers buy. Unfortunately, electric companies have to power more homes while upgrading failing equipment. Oil prices soared to record highs in 2005. Inflation and power-hungry electronics just about guarantee that the price of utilities will continue to rise. Budget-conscious folks are searching for ideas and suggestions to cut utility consumption. Here are some suggestions to consider:

1. **Turn down the thermostat** in the winter. Rule of thumb: you save 3 percent on the heating bill for every degree that you lower the thermostat. Turn it down by 10 degrees when you are at work and when you go to bed—a total of 16 hours. You can save about 14 percent on your heating bill.
2. **Wear sweaters and slippers.** Add a blanket to the bed. Turn down the heat and still keep warm.
3. **Invest in a programmable thermostat.** These can be set to automatically adjust the heat at specified times during the day and night. They cost between \$25 and \$75.
4. **Install energy-efficient shower heads and faucet aerators.** These reduce the amount of water released by up to 50 percent with almost no noticeable difference in pressure.
5. **Don't open the fridge or freezer** until you know for sure what you are reaching in to get.
6. **Defrost the freezer twice a year.** This means paying 10 percent less on running costs.
7. **Take shorter (and cooler) showers.**
8. **Shower instead of bathe.** The average bath uses twice as much hot water as a five-minute shower.
9. **Maintain and clean your furnace** regularly. Replace air filters every two months during heating season. The furnace will run more efficiently and use less energy.
10. **Wash clothing in cold water and don't over-dry.** Liquid detergent works well in cold water. Special cold water detergents can be purchased, but can be costly.
11. **Clean the lint filter in the dryer every time you use it.** A clogged filter increases drying time.
12. **Use fans wisely.** In just one hour, a hard-working bathroom or kitchen fan can expel a houseful of warm air. Turn them off as soon as they've done their job.
13. **Turn off faucets immediately after use.** Many of us tend to leave the faucet running while washing dishes or brushing teeth. Turning off the faucet saves thousands of gallons of water a year—not to mention the energy needed to heat it!
14. **Consider using small appliances for cooking rather than heating the oven.** Portable frying pans, electric grills, crock pots, microwave ovens and toaster ovens are great alternatives.
15. **Start the dish washer only when completely full.** Washing dishes by hand three times a day can cost more than one load in the dishwasher. Scrape food off the dishes before washing, use the shortest cycle on the dishwasher and consider allowing the dishes time to air dry.
16. **Use task lighting while working at a desk or workbench.** Other lights can be dimmed or turned off.
17. **Use glass or ceramic pans in an oven.** You can turn down the temperature about 25 degrees and cook foods just as quickly.
18. **Don't open the oven door to preview food.** Each time you open the door, the oven temperature drops by 25-50 degrees. Watch through the window or use a timer.
19. **Only preheat the oven if the recipe tells you to.** It won't hurt a casserole to sit in the oven while it is heating.



20. **Pans on the stove should cover the burner** to avoid wasted energy.
21. **Limit the use of traditional fireplaces.** Fires actually suck heat from a room. If you have a gas or electric fireplace, make sure it has a blower. It can spread the warmed air from the fireplace throughout the room. (Also, turn down thermostat while sitting close to fire.)
22. **Insulate ceilings, exterior walls, floors, heat ducts, and hot water pipes.**
23. **Insulate any pipes you can see.** If you can see pipes in an unfinished basement, or under the house, wrap the pipes in insulation. This will keep the water in the pipes warm so that you don't need to run the water from the heater as long.
24. **Keep heating vents clean and clear.** Vents blocked by rugs and furniture prevent heated air from circulating efficiently.
25. **Use curtains.** Open curtains and shades on south-facing windows during the day to allow solar radiation to warm inside airspace. Closing curtains and shades at night helps impede the escape of heat.
26. **Install storm windows and doors.** Or, if this isn't possible, put up plastic sheeting to reduce the amount of heat loss.
27. **Turn down the water heater.** Lowering temperatures in the water heater to 115-120 degrees reduces power usage without a noticeable difference to the user. This portion of the bill is 30 to 40 percent of the energy bill. Also, setting the water heater to 120 degrees will prevent small children from getting burned.
28. **Find and fix air leaks.** Check for leaks around windows, doors, electrical outlets, foundations, exhaust fans, chimneys and fireplaces, and attic openings. Buy door sweeps, caulk, weather stripping, and outlet gaskets and install where the cold air is entering.
29. **Close doors of unused rooms and shut off heat to those areas.** Consider using portable electric heaters or blankets when spending time in a large, open-spaced room.
30. **Use energy efficient bulbs, tubes, fixtures and appliances.** Use fluorescent bulbs wherever possible. Florescent light produces the same amount of light as a standard bulb but uses less power. If you don't like florescent light indoors, use it on the outside lights.
31. **Hang clothes to dry instead of using a dryer.**
32. **Use cold water rather than hot water whenever you can.**
33. **Fix leaky faucets.**
34. **A full freezer is an efficient freezer.** If your freezer isn't full, fill plastic jugs with water and freeze. This will keep the freezer contents cold for longer.
35. **Give up extra telephone and cellular phone features you may not need.** This includes voicemail, call waiting, or text-messaging. Also, give up extra Internet and cable television connections you don't need.
36. **Sign up for budget billing for your natural gas and electricity.** You pay the same amount each month throughout the year (regardless of season/weather). The monthly payment is figured on your 12 month average. Contact your energy provider for information on their particular budget plan.
37. **Consider installing timers and/or motion detectors** rather than leaving lights on all night.
38. **Get a home energy audit every couple of years** with the local power company to find ways to cut costs.
39. **Fill a small plastic bottle with water** and place it in the toilet tank away from the flushing devices. Its displacement will require less water in the tank and the toilet will still flush just fine.
40. **Do it yourself.** Learn how to do simple home repairs, such as replacing washers in faucets, and repairing damaged electric cords, torn window screens, or broken window panes, etc. Be careful, though. If you don't know how to do something you might make it worse. Consider hiring help if needed to prevent further costs.
41. **Fire the maid.** Involve the help of all the family/ household members in daily chores.
42. **Save all warranties, owners manuals and receipts.** Often these are all you need to have something repaired free of charge. Store them in a binder, filing cabinet, or accordion file for easy access and organization.
43. **Turn off unused lights and electrical devices.** A computer can burn 100-200 watts of power while sitting idle. If you leave it on while sleeping or working, it can add up to a couple of kilowatts a day. This could be \$5 a month by itself. Leaving lights on can waste another \$5-\$10 a month.

44. **Rent carpet cleaning equipment.** You can save a lot of money by doing it yourself with professional equipment.
45. **Make your own dust cloth** by using old socks or cloth diapers, or dip cheesecloth into a mixture of 2 cups water and ¼ cup lemon oil. Let dry before using.
46. **Make your own cleaning products.** Vinegar can be used to clean almost anything. Look up homemade cleaning supplies online or check out a book from the library.
47. **Use a carpet sweeper** (one of those push-type gadgets with brush rollers) for daily vacuuming, and use a vacuum once a week for deep cleaning. This will save electricity.
48. **Have your sprinkler system checked for efficiency.** You could be over-watering your lawn, thus wasting water and money.
49. **Install smoke detectors and have fire extinguishers on hand.** This could give you a discount on insurance premiums, and can also prevent severe damage and costs.

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# **Managing Debt**

## **Topics Include:**

**How Much Debt is Too Much?**

**Getting Out of Debt Worksheet**

**Where to Go for Credit and Debt Help**

**PowerPay**





## HOW MUCH DEBT IS TOO MUCH?

We have all asked ourselves "Can I really afford this?" before making a major purchase. How we answer that question can have far-reaching impacts. An unaffordable cash purchase can wreck a budget for months; an unwise new loan or credit card purchase can have devastating effects for years.

Before you agree to take on more debt, make sure your income covers your bills.

Before you agree to take on more debt, make sure your income covers your bills. Here are some commonly recommended guidelines:

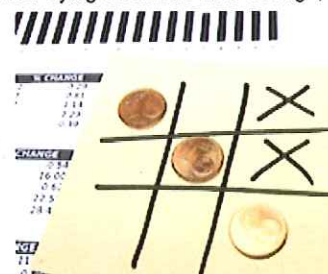
- Keep your monthly payments for debts—other than your mortgage—below 15% of your after-tax take-home pay. This includes your credit cards, student loans, child support, alimony, vehicle loans, and so on.
- Before taking on new debt, determine your debt-to-income ratio with and without the new expense. Use the Credit Union National Association's useful [debt calculator](#) or do the simple math on paper.
- Don't become "house-poor" and jeopardize your ability to deal with financial crises. Your total monthly cost for housing (mortgage, taxes, utilities, maintenance, and insurance) shouldn't exceed one-third of your monthly take-home pay.
- Mortgage lenders typically use two ratios to more precisely determine how much you can afford to pay for your mortgage:
  - **Front-end ratio:** Your monthly payment should generally be less than 28% of your monthly gross (before-tax) income. For a conventional loan, this "front-end ratio" can be as high as 33%. If your monthly gross income is \$4,000, you can qualify for a 28% front-end loan if your principal, interest, taxes, and insurance (PITI) total no more than \$1,120 ( $\$4,000 \times .28 = \$1,120$ ). With that same monthly income, you can qualify for a conventional loan if your PITI totals no more than \$1,320 ( $\$4,000 \times .33 = \$1,320$ ). Regardless of the type of loan you select, your other debts plus your monthly mortgage payment should not exceed 36% of your gross income.
  - **Back-end ratio:** This ratio includes your other debts in calculating whether you can afford to make a certain mortgage payment. Mortgage lenders examine whether your total debt (mortgage plus other recurring debt) exceeds a figure between 33% and 45% of your monthly income. For example, if you make \$4,000 a month and are applying for a mortgage with a PITI of \$1,120, a 40% back-end ratio would allow your other debts to total only \$480 ( $\$4,000 \times .40 = \$1,600 - \$1,120 = \$480$ ).

Too often, lenders are willing to loan you more money than you can comfortably afford to pay back. Be sure to calculate your debt-to-income ratio before taking on new debt.

## STOP USING CREDIT

If you have accumulated too much debt, it's time to take control. The first step is to stop using credit. Don't take on new debts or charge any new items. Paying off debt is hard enough; don't add to what you owe! Pay for items that you absolutely need with cash, debit card, checks, or electronic withdrawals from your checking account. Leave your credit cards at home.

One way to stop using credit cards is to place them in a container of water. Freeze the container so the water forms ice. Because your credit cards will be locked within this ice block, you won't be able to use them for impulse purchases. (Note: Microwaving the block will destroy the magnetic strip on the cards, making them unusable.)



## ASSESS THE PROBLEM

Many debt problems have their beginnings in job losses, health crises, divorce, and excessive mortgage payments. Being in the habit of buying things you can't afford and neglecting to build an emergency fund contribute as well. But even responsible credit users can get overextended. Once you've analyzed the roots of your debt problem, it's time to assess its extent.

Start by making a list of everyone you owe and how much you owe them. Our [Getting Out of Debt Worksheet](#) will make this easier. Include:

- Name of creditor (a company or person to whom you owe money), their address, and their phone number
- Your account number
- Annual percentage rate (APR) of the loan or credit card
- Minimum monthly payment
- Number of months or payments remaining on the loan
- Total balance owed (amount of debt remaining)
- Payment due date
- Amount last paid
- Date last paid
- Total amount already paid
- Whether the debt is secured by a home, vehicle, land, or other property. In other words, can a creditor seize that property (also called "collateral") if you stop making payments on the debt?

After you've listed your debts, define your debt-reduction goals. Then, select a time frame and divide each challenge into specific, manageable, and measurable steps. For example, you might decide, "I will stop making purchases that are not necessary, reduce my spending by \$10 a day, and use that money to pay down my credit card debt." If you owe \$8,000 on your credit card at 18% interest and you reduce your spending (or increase your income) by \$10 a day, you'll be able to repay your debt in three years. If your debt is greater than \$8,000 or your interest rate is higher than 18%, you must increase the amount per day that you put toward the debt, or it will take longer to repay.

## CHANGE YOUR SPENDING

To decrease your expenses and have more money to repay your debts, start by tracking your spending on a calendar, in a notebook, or on our [Monthly Income & Expenses Worksheet](#). That will give you a realistic idea of your fixed and variable expenses:

- Your **fixed expenses** are those that don't vary much from month to month, such as your mortgage/rent, vehicle payment, savings, insurance, and other loans.
- Your **variable expenses** include food, utilities, clothing, vehicle fuel/maintenance, education, household, telephone, recreation, and personal, medical, child, and elder care.

It's usually easier to reduce the amount you pay for variable expenses than fixed expenses. If you can't find money for repaying your debts by reducing your variable expenses, you'll probably need to reduce your fixed expenses by shaving your spending down to the bare-bones level. You may need to sell a vehicle, move to less expensive housing, and/or get a second job so that your income will cover both your current expenses and your debt repayment.



Here are a few ideas for finding money to repay debt:

- Change your income tax withholding. If you typically get money back from the Internal Revenue Service when you pay your income taxes, change your deductions. If you have a low income and children, are you applying for [Earned Income Tax Credits](#)?
- Contact your creditor and request that your interest rates be lowered. Your request will more likely be granted if you pay your bills on time.
- Investigate home equity loans or lines of credit. Consider this suggestion with caution. Your home is a secured debt. If you don't repay a home equity loan, your home could be repossessed. It's fine to refinance consumer debt with a home equity loan *only* if you pay it off fast and resist new debt.

See [Spend Less, Live Well](#) for more cost-cutting ideas.

## CHOOSE A DEBT REPAYMENT STRATEGY

There are several ways to get out of debt. Each of the four possible methods described below has advantages. Select the one(s) making the most sense for your situation.

### Importance Method

Pay the debts that will keep your family safe and your credit rating intact—for example, your rent/mortgage, food, and utilities. If you're making payments on secured debts like a house, vehicles, furniture, or appliances, don't risk losing that property by getting behind. Until you



can pay more, just make the minimum payments on your other debts and credit cards. That will keep you in good standing with all of your creditors and won't damage your credit rating.

### Highest Interest Rate Method

Pay off the debt with the highest interest rate first. Pay as much as you can on that debt each month until it's paid off. Meanwhile, make minimum payments on your other debts. Then apply the payments you're making on the highest-rate debt to the next highest-rate debt, and so on.

### Debt Snowball Method

Pay off the bills with the lowest balances first. For example, if you have only four payments left on your car or washing machine loans, pay those bills first. Then use the money you were putting on those payments to pay off the debt with the next-lowest balance. This method allows you to see more quickly the progress you're making in reducing your debt.

**Note:** Utah State University Extension has developed *PowerPay*, a computer program that you can access online at <https://powerpay.org>. *PowerPay* is a system designed to help you eliminate debt in the fastest possible way. It works when you're willing to:

- Make a commitment to stop borrowing or buying with credit
- Systematically pay off debts
- Eliminate each debt and continue to apply that debt payment to the next debt obligation

### Debt Consolidation Method

You may be able to get a single loan that pays off your other debts. The monthly payment on this "consolidation" loan will usually be lower than the total payments you're now making on your other debts, because consolidation loans are spread out over a longer period of time. However, debt consolidation may cost you more in the long run because you'll likely pay more interest.

## TALK TO YOUR LENDERS

Contact your creditors as soon as you recognize you're overextended. Before talking with them, review your lists of debts, income, and expenses and decide how much you can pay on each bill.

Explain your situation and try to work out a modified payment plan. Most creditors will work with you if they believe you're acting in good faith and the situation is temporary. Some may reduce your payments to a more manageable level. Make these lower payments on time.

Don't put off negotiating with your creditors until your accounts have been turned over to a debt-collection agency. At that point, creditors will be less likely to work with you.

## SEEK DEBT COUNSELING

If you're unable to develop your own debt-repayment plan, you can get counseling in debt management from family support centers (for Armed Services personnel), some credit unions and churches, and credit counseling agencies.

Before selecting a credit counseling agency, read [\*Where to Go for Credit and Debt Help\*](#).

Credit counseling agencies can be private, non-profit, or public and can counsel you in person, on the Internet, or by telephone. If possible, choose a non-profit agency that offers in-person counseling. The agency should provide educational programs, money management advice, and assistance with budget development. The first counseling session should last about an hour, and the counselor should discuss your entire financial situation, help you develop a personalized plan to solve money problems, and supply follow-up counseling. A credit counseling agency can negotiate with your creditors to repay debts with a debt-repayment plan. Under the plan, creditors often agree to reduce payments, lower or entirely drop interest and finance charges, and forgive late and over-the-limit fees. After starting the plan, you'll deposit money with the credit counseling agency each month. The agency will pay your bills according to a schedule it developed with you and your creditors. You'll pay a small fee for this service.

You may be required to stop applying for and using credit while you participate in the debt-repayment plan. A typical plan takes 24 to 48 months to complete. Ask your counselor to estimate how long yours will take.

When all else fails, bankruptcy may be your only option. Because it stays on your credit record for up to 10 years, bankruptcy is a *last resort*.

## AVOID FUTURE DEBT

It's important to understand your income and expenses before committing future earnings to debt payment. Plan for major purchases and observe the commonly recommended guidelines in [How Much Debt Is Too Much?](#)



Because it's not enough to simply cover today's costs, you'll also need emergency savings to tide yourself over in case of illness or job loss. Most experts suggest setting aside enough money to last three to six months. Every month, place money from your paycheck into an emergency savings fund until you have at least three months' worth of living expenses.

If your income does not provide enough funds to cover savings, consider reducing your expenses and, if necessary, generate extra income or find money for savings after you pay off your current debt.

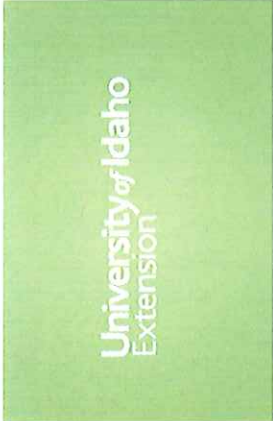
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# Getting Out of Debt Worksheet

Creditor's Contact Info	Account Number	Annual Percentage Rate (APR)	Minimum Monthly Payment	Number of Months or Payments Remaining	Total Amount Remaining (Balance)	Payment Due Date	Amount Last Paid	Date Last Paid	Total Amount Paid	Secured Debt?*

\*Is the debt secured by such collateral as your home, vehicle, land, or other property?



# Where to Go for Credit and Debt Help

Can't pay your bills on time? Can't arrange a debt repayment plan with the people you owe money? Can't get bill collectors to stop hounding you? If you answered "yes" to any of these questions, consider contacting a credit counseling agency.

Credit counseling agencies work with you to solve your money problems. Organizations that offer credit counseling can be private, not-for-profit, or public. You can get credit counseling in person, on the Internet, or by telephone. If possible, choose a credit counseling service that provides in-person counseling. It should offer educational programs, money management advice, and help with budget development.

The first counseling session with a reputable service should last about an hour. The counselor should discuss your entire financial situation, help you develop a personalized plan to solve your money problems, and provide follow-up counseling.

## How a credit counseling agency can help

A credit counseling agency can negotiate with your creditors to repay your debts with a debt repayment plan. Under the plan, creditors often agree to reduce payments, lower or drop interest and finance charges, and forgive late and over-the-limit fees. After starting the plan, you'll deposit money with the credit counseling agency each month. The agency will pay your bills according to a schedule it has developed with you and your creditors. You'll likely pay a small fee for this service.

You may be required to stop applying for or using credit while you're participating in the debt repayment plan. A typical plan takes 24 to 48 months to complete. Ask your counselor to estimate how long yours will take.

Although nearly all lenders view bankruptcy negatively, only some will regard your participation in a debt repayment plan that way. Others believe that it makes you a better credit risk.

## Choose the right service to work with

There are many good credit counseling firms. Some are members of the National Foundation for Consumer Credit (NFCC). They usually have "consumer credit counseling service" in their name. To find an office near you, contact the NFCC at 1-800-388-2227 or at [www.nfcc.org](http://www.nfcc.org).

Beware of companies that offer quick and easy solutions to your debt problems. Unfortunately, there is no quick fix. Some credit counseling organizations are downright dishonest. They may claim to be non-profit, but they're not. They'll ask you to sign up for a debt repayment plan right away, without offering educational programs or credit counseling. They won't try to understand your financial situation. They'll charge high hidden fees or urge you to make "voluntary contributions." A few credit counseling firms have taken clients' money and not paid the clients' creditors.

You can avoid phony credit counseling agencies. Check on a credit counseling business before you agree to use its services. Call your state's attorney general or department of finance to find out if the business is licensed in your state. Ask the attorney general—or your local Better Business Bureau—if complaints have been filed against it. Consider working only with credit counseling agencies with no complaints or only a few resolved complaints.

Call the credit counseling agency and ask for information about its services. A reputable agency will readily send you free information, no questions asked. If it resists, go elsewhere for help. Once you've received the information, call back and ask a representative the following questions:

- **What services do you offer?** Look for an agency that offers a variety of services, including budget counseling and savings and debt management classes. Avoid organizations that push debt repayment or debt management plans as your only option before they spend time carefully analyzing your financial situation.
- **Do you provide educational materials? If yes, will you send them to me or can I access them on the Internet? Are they free?** Avoid organizations that charge for information.
- **In addition to helping me solve my immediate problem, will you help me develop a spending and saving plan to avoid problems in the future?** The answer should be yes.
- **What are your fees? Do you charge set-up and/or monthly fees?** Get a specific price quote in writing. Many reputable agencies charge set-up fees up to \$50

and monthly fees from \$25 to \$50. Avoid organizations that demand a large initial "voluntary contribution."

- **What if I can't afford to pay your fees or make contributions?** If an organization won't help you because you can't afford to pay, look elsewhere.
- **Will I have a written agreement with you?** Make sure all verbal promises are written. Read and understand the agreement before signing.
- **What are your counselors' qualifications? Are they accredited or certified by an outside organization? If not, how are they trained?** The organization should provide a certified credit counselor with a professional background in money management and in the wise use of credit. Certified credit counselors pass a comprehensive counselor certification program that is administered by a third party. They must meet high quality standards.
- **What assurance do I have that my address, phone number, and financial information will be kept confidential?** The business should provide you with a copy of its privacy policy.
- **How do you determine the amount of my debt payment? What happens if the amount is more than I can afford?** If you can't realistically afford a debt repayment plan, don't sign up for it.
- **How do you make sure all of my creditors will be paid by their due dates and in the correct billing cycle?** Sign up for a plan that pays your creditors before their due dates and within the correct billing cycle.

- **How often can I get status reports on my accounts? Can I access my accounts online or by phone?** Make sure the agency is willing to give you regular, detailed written statements.
- **Can you persuade my creditors to lower or eliminate interest and finance charges or to forgive late fees?** The agency should let you know whether it has negotiated successfully with your creditors in the past.
- **What if I can't maintain the agreed-upon plan?** Be committed to completing a debt repayment plan. None of the fees you've paid will be refunded. Some creditors will be less likely to work with you in the future if you fail to complete your plan.
- **What debts will be excluded from the debt repayment plan?** You'll have to pay these debts on your own.

It may seem like a lot of work to interview potential credit counseling services. The best ones help people who are behind on their debts get back on their feet. Fly-by-night outfits can disappear with your money and further damage your credit rating.

When you work with a credit counseling agency, you trust your credit record and your personal information to it. You want to be sure you're in good hands.

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## PowerPay Debt Calculator

Tom and Rose pay \$450 a month on their consumer debt. They would like to pay the debt off quicker so that they can start saving more money for other goals. This is a snapshot of their current debt:

Type of Credit Creditor	Creditor	Current Balance	Monthly Payment	Annual Interest Rate (APR)
Car Loan	Anytown Credit Union	\$4,000.00	\$ 150.00	11.00%
Store Card	Old Navy	\$1,500.00	\$ 100.00	20.40%
Credit Card	Discover	\$ 375.00	\$ 50.00	20.40%
Credit Card	Visa	\$ 450.00	\$ 50.00	18.00%
Other	Finance Company	\$2,500.00	\$ 100.00	30.00%
		<u>\$8,825.00</u>	<u>\$ 450.00</u>	

They hear about the **PowerPay** calculator (can be found at <https://powerpay.org/>) and decide to try it. By comparing the repayment methods (highest interest first, lowest balance first, shortest term first, etc.), Tom and Rose can reduce the interest paid and the time in debt. By simply paying off one debt, then applying that debt's payment to the next, and so on, all their debts will be paid sooner if they don't add anymore debt to the mix. To help guide Tom and Rose with their payments each month, **PowerPay** provides a calendar repayment schedule:

Month	Discover	Visa	Store Card	Other	Car Loan
1	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
2	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
3	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
4	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
5	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
6	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
7	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
8	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
9	\$4.58	\$50.00	\$100.00	\$145.42	\$150.00
10		\$37.11	\$100.00	\$162.89	\$150.00
11			\$100.00	\$200.00	\$150.00
12			\$100.00	\$200.00	\$150.00
13			\$100.00	\$200.00	\$150.00
14			\$100.00	\$200.00	\$150.00
15			\$100.00	\$200.00	\$150.00
16			\$100.00	\$200.00	\$150.00
17			\$100.00	\$200.00	\$150.00
18			\$46.49	\$253.51	\$150.00
19				\$300.00	\$150.00
20				\$300.00	\$150.00
21				\$23.48	\$426.52
22					\$450.00
23					\$450.00
24					\$230.55
TOTALS	\$404.58	\$487.11	\$1746.49	\$3385.30	\$4557.07

By applying **PowerPay** and paying at least the minimum payment required for each account, they reduced the time required to pay off all debt by 1 year 4 months and saved \$637.94. By paying an extra \$25 a month, they could reduce the time by two months, and save an additional \$154.61. Without **PowerPay**, it would have taken them 3 years 4 months to be debt free (that is an extra two years in debt!).

Find this tool at <https://powerpay.org/>