

Forty-five Ways to Live on Less

For any number of reasons, individuals or families can find themselves living on less income than before. Sometimes a pay cut is planned, and sometimes it is totally unexpected. Quitting a job to go to school, disability, career change, and unemployment are some common explanations. Other situations include a two-paycheck family "scaling back" to live on one paycheck so they can raise their young children, and persons who cut their expenses to increase their savings for future goals.

Below are forty-five ideas to cut costs during a period when you are trying to cut costs, live on less, or increase your savings:

Food:

1. Eliminate convenience food meals and prepare snacks from your shopping list by making them yourself "from scratch."
2. Use nonfat dry milk alone in baking and/or combined (and chilled) with whole milk for drinking. This will reduce "emergency" trips to the supermarket.
3. Make and follow a shopping list with prices itemized in advance. Avoid "impulse buying." Don't go to the supermarket unless absolutely necessary. Avoid shopping at convenience stores that charge a high mark-up on products.
4. Use cents-off coupons and refund forms but only if you would buy the product

anyway, and it's cheaper than alternative products.

Clothing:

5. Don't wear good clothes for working around the house (ex - cooking), especially if they must be dry-cleaned.
6. Recycle clothing or take it to a thrift store or consignment shop which will sell it for you and split the profit, or hold a garage sale.

Other Expenses:

7. Don't buy insurance you don't need. If you have an adequate (3-6 months of income) emergency fund, consider increasing deductibles. Also be sure to take advantage of special prices for nonsmokers, good students, and multi-car households.
 8. Get a handle on your spending habits-- list all current income and expenses and decide where cuts can be made less painfully.
 9. Pay off high-interest credit card bills and consumer debt and switch to credit cards with lower interest rates and annual fees.
- ### **Utilities:**
10. Dry clothes in the house on lines to add moisture to the air and to save on charges at the laundromat or on your electric bill. In the summer, dry clothing outside.

11. Write letters rather than make long-distance telephone calls, where possible, and use a timer to monitor the length of necessary telephone calls.

12. Close off unused rooms to conserve heat. Fill in all cracks around windows and doors. Caulk and weather-strip doors and windows to save up to 10 percent of your energy bill.

13. Contact your local utility to arrange installation of energy conservation measures. Some companies will send a contractor to your home and you'll be charged only for the materials used. Details of each company's program vary. Zero-interest loans may also be available for larger projects

14. Don't turn up the thermostat. Put on a sweater and keep your feet warm. Turn back the thermostat at night, and when no one is at home.

15. Invest in no- or low-cost-energy-saving activities such as an annual tune-up and cleaning of an oil heater (furnace or boiler), an insulation wrap on a water heater, and cleaning of the outside coils on refrigerator once or twice a year.

Miscellaneous Expenses:

16. Don't buy products door-to-door and avoid in-home "parties" (ex - copper, plastic ware, crafts) where the temptation to spend is high. Set a cost limit or "lid" on gifts or make gifts from things around your home.

17. Cut your children's hair and cut or trim an adult's hair between professional cuttings.

18. Shop at discount outlets, thrift shops, and garage sales, especially for children's clothing, toys, and household equipment.

19. Wash your own car and change oil yourself.

20. Keep a running "want list" for everything you would like (not just supermarket items). It can help you stop impulse buying. Compare at least three stores for the best price before you make a purchase.

21. Share a ride with others or take turns carpooling to work, school, and to civic organization meetings and community activities, where possible.

22. Break costly habits such as smoking or buying a lunch or snack out every day. Pack brown bag lunches. Use free or low-cost recreation instead of bowling or the movies.

23. Shop when items go on sale or when prices are lowered (ex - just before or just after Christmas and other holidays).

24. Shop around for repairs and remodeling/home improvement work. Get written estimates and a contract!

25. Consider carefully answers to the questions "what do I really need?" "what can I do without?" (ex - new clothes? record & book clubs? cable T.V.? health club membership?).

Improve Your Savings:

26. Pay Yourself First -Treat savings like a "bill." Put a part of each paycheck--even if it is only a few dollars--into savings and leave it there.

27. Collect Coins - Place all loose change in a jar. When it's full, deposit the money into a savings account.

28. Bank Your Refunds - When you get a refund from a supermarket product or your homestead rebate, save it.

29. Continue Paying a Loan - Just finished paying for your car? If you're about to pay off a loan and don't need a new car right away, continue making the same monthly payment--to yourself!

30. Break Costly Habits - Do you really need to buy lunch out every day? Are you trying to stop smoking? Save the money you would normally spend on habits like these.

31. Increase Investment Yields - Don't settle for low interest rates! Earn more money on your dollars by seeking investments--consistent with your risk tolerance level--that pay a higher return. Avoid products with high fees or service charges. Start saving early to maximize the compounding of interest.

32. Join an Employer's Credit Union - Credit unions are convenient and an inexpensive source of funds when you need a loan. Deposits can be automatically deducted from your paycheck.

33. Buy U.S. Savings Bonds - For as little as \$25, you can buy a bond that will eventually double in value (ex - \$25 to \$50). Yields are tied to Treasury bond rates and are adjusted periodically. A minimum (floor) return is also guaranteed. Some employers have U.S. Savings Bond savings plans for their employees.

34. Take Advantage of Payroll Deduction Plans - Many people eliminate the temptation of spending their savings by never seeing it in the first place.

35. Participate in an Employer's Thrift Plan - In addition to automatically saving a portion of your pay for you; some employers even match your contribution--

25 cents or 50 cents (or more!) on the dollar.

36. Over withhold Income Tax - This is not the best savings method because federal and state governments do not pay interest, and you must wait for your refund. Nevertheless, it's one method people use to save money. Adjust your W-4 form accordingly.

37. Join Christmas and Vacation Clubs - While money deposited in these accounts usually does not earn a high amount of interest, savings does occur in small amounts, enabling people to reach future goals.

38. Bank a Windfall - Whenever you receive unexpected money--an inheritance, bingo winnings, retro-active pay, an insurance dividend, etc.--put at least part of it into savings.

39. Try Crash Savings - The secret of this strategy is setting a limit. Decide for, say 2 months, you'll buy only absolute necessities, literally. Save the rest. At the end of the 2 months, treat yourself and buy the item(s) you were saving for. Then resume your "normal routine"....or set a new goal.

40. Fund IRAs One Week at a Time - Try to set aside \$38.46 each week. As you accumulate sufficient funds, place them in your IRA. At the end of the year, you'll have saved \$2,000 (plus IRA earnings). Use this same strategy for a Keogh plan if you're self-employed, subject to your maximum contribution limit.

41. Participate in a 401(k) Plan - If you're a corporate employee and your employer offers such a plan, you can reduce your salary (by payroll deduction) up to a certain

annual allowable limit. Many employers even match employee contributions! Funds accumulate tax-deferred for retirement.

42. Participate in a 403(b) Plan - If you're a teacher, college professor, or nonprofit organization employee and your employer offers such a plan, you can reduce your salary up to \$9,500 a year for retirement savings.

43. Analyze Family Expenses - Placing savings first will undoubtedly put pressure on your spending habits. Try to keep track of where your money goes and pinpoint expense categories that you could cut back.

44. Save "Extra" Paychecks - If you're paid bi-weekly, in two months of each year you will receive three paychecks. Employees who are paid weekly will receive an "extra" check in four months of each year. The months will vary with each year's calendar and the day of the week on which you are paid. Save at least part of this money.

45. Set Goals - You'll be better able to save if you know what you're saving for. Some examples of financial goals are a new car, start-up capital for a business, college expenses, major appliances, a vacation, and retirement. Make a list of your goals in priority order. Then determine how much money you'll need and when. Calculate the amount of periodic savings necessary to achieve each goal.

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