

How Saving Money Can Set You Free!

The information herein was compiled by Quadrant Living Experience LLC



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How saving money can set you free

Savings in the United States is at a critical juncture. The number-crunching folks at the U.S. Commerce Department's Bureau of Economic Analysis reported some discouraging news recently: Americans spent more than they earned in 2005—a negative savings rate of 0.5 percent for the year. This is the first time this has happened since the Great Depression. All indications are that 2008 will be even worse. The U.S. national saving rate, which includes government and business savings, is the lowest among the developed countries and has decreased significantly in recent decades. These low levels of saving generally suggest lower growth rates of income and lower standards of living in the future.

Our saving habits have been doing a gradual slide since May 1985 when we saved 11.1 percent of our disposable income. A negative savings rate can't be good, but is it as dire as it sounds? If your savings rate is negative, it doesn't necessarily mean that you don't have any savings. It means you're spending more than you earn, so you're dipping into your savings or you're borrowing to pay for purchases. When you limit your savings, you limit your choices. Consequently, you jeopardize your freedom.

People may engage in excessive spending for a number of reasons. It may be that they're not concerned about losing their jobs. Perhaps their stock portfolio is sufficient, they may be in line for hefty inheritances, or they may have assumed that bloated value of their home caused by the real estate boom would last forever. In any case, the question remains: How serious a problem is the negative savings rate?

Raising the rate of personal saving is a significant challenge, given that the lower-income half of all Americans have an average net worth of only \$23,000 while the bottom quarter has a negative average net worth. Seventy-six million baby boomers in the United States are fast approaching retirement, and the vast majority has yet to acquire the amount of savings necessary to carry them through what could be two or more decades of retirement. As such, the difficult reality of America's savings issue is likely to become more pronounced in the next few years.

Increasing savings can foster economic opportunity through enhanced investment, both at the household and national levels. More investment should act as a catalyst for gains in real wages and economic growth. Such growth can aid in the correction of America's current account deficit and lessen reliance on overseas investment. An increase in household assets should also provide families with more educational and related economic opportunities, which has become especially important in our increasingly knowledge-based economies. Increased savings can improve the economic security of families by providing greater opportunities for homeownership, retirement income and greater protection against unanticipated needs and financial insecurity. Even relatively modest increases in annual personal saving by these households would help move the country more toward a savings society.

This report contains the findings of over three decades of research on ways that families can save literally thousands of dollars every year. By merely being aware of where dollars are slipping between your fingers and out of your grasp and with a little planning you can retain your freedom and reverse the trend created by non-savers. Some of these items may not apply to you right now. Take a pencil or a marker and highlight those items that apply to you. Then total the potential savings. Some clients have reported savings that exceed \$10,000 or more in the very first year! Now that you have a vision of what your potential savings can be, identify the small steps you need to take today! Remember "tomorrow" is not a day of the week.

General

Distinguish between wants and needs: You will save a ton of money if you don't mistake wants for needs. Needs are pretty simple to identify—those items that are necessary to sustain life: food, shelter, clothing, transportation. Wants are those things that enhance or possibly improve your lifestyle. A car is a need. Unless necessary for your business, a \$40,000 sport-utility vehicle is a want. Have you ever heard (or said) “I absolutely need...?” when the actual meaning was “I really want?” To delude yourself into believing that a want is a need—and busting your budget in the process—is a recipe for financial disaster.

Perhaps we are trying to “keep up with the Joneses” or maybe it's ego. For many of us, we often seem to insist on the biggest and the best, no matter what the cost. When a \$15,000 new car may be more than acceptable, we stretch the seams of our budget to buy a \$25,000 vehicle. We buy \$25 shirts with \$35 designer labels attached. We opt for the \$100 dinner at the trendy restaurant when a \$20 meal would have been just as delicious. Is less better? Think about where you are spending the family money—and how—to see if there couldn't be savings found with minor changes in habits.

Try before you buy: This goes a long way in helping to avoid the silly purchases of things you rarely or never use. Before you buy something, especially items with big price tags, borrow one, rent one or try one out before you plunk down the cash. For example, you feel that you absolutely must have a new Jet-Ski, at a cost of \$4500 (and that is before financing and taxes). You go to the lake, rent one and 45 minutes into a one-hour rental you say, “geez, this is a long hour.” You saved more than \$4,500 (perhaps a year of college fees for your child!)

Slash the incidentals. Cancel any club memberships you don't use and magazine subscriptions you don't read. And if necessary, resolve to stop spending hard-earned money on lottery tickets.

Buy used if possible. Before buying something new, ask friends or relatives, look at garage sales or thrift shops, look on eBay or other similar sites where used stuff is sold. You're helping a product live longer, thus reducing the impact on the environment, and at the same time getting it much cheaper (and sometimes just like new).

Savings Accounts

Pay yourself first. This is a good time for an honest self-analysis: What have your saving habits been like in the past year? If it seems like all the money you make falls straight through your fingers and gets gobbled up by bills, think hard about a reasonable amount you could handle as another monthly bill. Could you handle one more \$50 bill? How about a \$200 bill? Even if you can only handle one more \$15 or \$20 bill, that's better than nothing. Start squirreling that money away for yourself... NOW!

Decide where to put that “payment.” If you plan to sock money away for several years until you reach a specific savings goal, your “pay-yourself-first” money could become automatic contributions to a mutual fund or other stock-oriented fund. If you need the money to be more liquid than that, consider an online savings or money-market account that gets linked to your current checking account. Many of these online-only accounts are insured by the Federal Deposit Insurance Corp. (FDIC) and pay annual percentage yields between 4 percent and 5 percent or even higher, as opposed to paltry yields of about 0.2 percent to 0.5 percent for traditional savings accounts.

Credit Cards

Absolutely eliminate credit-card debt. Of course, the best way to avoid creating problems for yourself in 2008 is to use your credit cards cautiously and sparingly, always being sure to pay the entire balance off

in full and on time each month. But if you're already in a serious credit-card pickle—as millions of people are—try this: Request a reduction in the interest rate on your credit cards. As with home equity loans, credit card companies sometimes are willing to reduce the interest rate. It can't hurt to ask. Or you can transfer your credit-card balances to a card with a lower interest rate ASAP. You'll save \$730 if you transfer a \$2,000 balance from an 18-percent card to an 8.25-percent card and then pay off your balance at a rate of \$50 a month! Better yet, transfer balances to cards with rates of 0, 1 or 2 percent and concentrate on paying them off entirely while those low rates last.

Say goodbye to late fees. If you get hit with extra finance charges because your credit-card bill is regularly due before you've received your paycheck, call the credit-card company and ask to have your due date changed. It might take a few months for this change to kick in, but it is well worth the wait.

Carefully read through one of your credit-card statements, looking for monthly fees that you may have forgotten about.

Retirement Accounts

Max out your 401(k)

- More than half of all eligible employees aren't taking full advantage of their company's 401(k) match. And a third hasn't signed up. Keep it simple. Don't let anxiety about choosing from the sometimes intimidating number of investment options keep you from signing up. You can always change your selections later.
- Elect initially to contribute at least as much as your company requires to get the full employer match, which is usually between 3 percent and 6 percent of your salary.
- Create your own plan. If you don't have access to an employer-sponsored retirement plan, create your own facsimile. Open a conventional IRA, Roth IRA or SEP-IRA and have your bank transfer a set amount into it every month from your checking account.

Ratchet up your savings

- Save half your raise. Increase your contributions by half the amount of any salary bump you get (or, better yet, all of it). You'll increase your level of savings without cramping your lifestyle.
- Sign up for auto-escalation. This feature is becoming more common in 401(k)s: You sign up once, instructing your plan provider to automatically increase your savings rate by an amount you choose (usually between 1 percent and 3 percent) on the same day every year. No fuss, no bother.
- Take baby steps or bump up contributions yourself, starting with a percentage point or two. If you make \$80,000, an extra 2 percent will add \$1,600 in pretax dollars to your account, but you'll lose less than \$25 from your weekly paycheck.

Look beyond retirement

- You can apply the same principles of automated savings to other goals, such as building an emergency fund or saving for your child's tuition.

- Automate everything. Most major banks, brokerages and fund companies will allow you to set up automatic monthly cash transfers into a designated savings or investment account. This ensures your savings occurs each month.
- Match the vehicle to the goal. For your emergency fund, use a safe, liquid vehicle like an online bank or a money-market fund. For medium term goals, look at short-term bond funds. For longer term goals use diversified stock funds.

Home

In all probability, your mortgage will be the largest single expense in your budget. Obviously, getting the best deal here is of ultimate importance. Not comparing could cost you thousands of dollars over the term of your mortgage.

Homeowner's insurance:

- Be sure to shop around. It may take a little time, but it could save you money. The insurer you select should offer both a fair price and excellent service. Ask about discounts for combining your homeowner's and auto insurance with the same carrier.
- Raise your deductible. Deductibles on homeowner's policies typically start at \$250. By increasing your deductible to \$500, you could save up to 12 percent.
- Beef up your home security. You can usually get discounts of at least 5 percent for a smoke detector, burglar alarm or dead-bolt locks.

Request a reduction in the interest rate for your home equity line of credit. Sometimes a mortgage company may agree to reduce the rate by more than 0.50 percent.

Refinance your mortgage. If you can reduce your interest rate by one percent or more, it is often beneficial to refinance. This is particularly true for those with high rates due to less than stellar credit scores. If your score has improved, you may qualify for a better rate. Start by asking your current mortgage lender about lower rates.

Get rid of Private Mortgage Insurance (PMI). If your down payment was less than 20 percent, you are probably paying PMI. Once you have a 20 percent cushion through reducing your debt and home appreciation, contact your mortgage company to start the process of removing the PMI. You can save \$100 or more per month.

There are many new energy-efficient water heaters, washers, dryers—any electrical appliance in your house, in fact. This can save tons on your power bill. Other alternatives: don't use hot water for everything and dry your clothes using a clothes line.

To save on utilities, conserve energy. Get an energy audit. In many states, electric and gas utilities offer energy audits at no charge, and some will even help homeowners pay for their recommended changes. Call your electric or gas company or search their Web sites for energy auditing programs.

Other at-home saving ideas:

- Keep blinds and curtains closed. If you don't have blinds on your windows—get them. They serve as a great insulator.

- Install energy-saving windows. Those old single pane windows really let a lot of heat and air conditioning escape.
- Change the filters in air conditioners and furnaces. Not only does it keep systems running at optimum efficiency, it keeps the air in your home cleaner too.
- Place window air conditioners on the shadiest side of the house. They won't have to work as hard and will use less power.
- Make sure air conditioners and furnaces are the right size. If too small, they have to work too hard. If too large, they lose their efficiency, therefore using even more electricity.
- Have regular checkups performed on systems. This keeps things running smoothly and could catch a problem before it's too late. Like the middle of that unexpected snowstorm or the hottest day of the summer.
- Keep weeds and shrubs trimmed. Keep them away from outside heating/cooling units for best airflow.
- Plant shade trees. This is especially important on the side of the house that gets the most sun.
- Use timers to turn lights on and off. For when you're not around, it's better than leaving a light on constantly, and also works to fool burglars.
- Use compact fluorescent bulbs. Although they cost a little more than regular bulbs, they last up to 10 times longer and use a lot less electricity to burn. Unplug appliances and electronics. Some of these items tend to keep using a little electricity even when turned off.
- Adjust the temperature before leaving the house or going to bed. Or better yet, install a programmable thermostat. It will eventually more than pay for itself.

If you've got a relatively flat yard, and you keep your grass fairly short, today's motorless push mowers are easy to use and consume zero gas. They're not the old-fashioned mowers of your grandpa's generation—they actually run very smoothly. And, you get your exercise at the same time.

Auto

For most families, the next biggest expense is their car(s). Mistakes made here can often be as costly (on a monthly basis) as mortgage miscues. Take a look at the vehicle(s) you presently own. Do you own too much vehicle for your needs? Do you have equity in a car that you no longer use frequently? Could you downsize and save money, not only in monthly payments but also in maintenance, insurance and operating expenses? With the vehicles that you do own, are you getting the best deal on your repairs, maintenance and insurance?

Auto insurance:

- Shop around. Prices for the same coverage can vary by hundreds of dollars from company to company, so it pays to shop around. Surf the net, ask your friends or call your state insurance department for ideas about companies and agents to contact.

- Ask for higher deductibles. By requesting higher deductibles on collision and comprehensive (fire and theft) coverage, you can lower your costs substantially. For example, increasing your deductible from \$200 to \$500 could reduce your collision and comprehensive cost by 15 percent to 30 percent.
- Take advantage of low mileage discounts. Some companies offer discounts to motorists who drive less than a predetermined number of miles a year.

A realm of information exists on how to get the best price on a new car. But what's the cheapest way to finance it?

Figure out which car you want and wait for the manufacturer's year-end deals.

- Consider buying a car at an auto auction. There are two kinds—government-run auctions open to the public and dealer auctions, where used-car dealers get many of the cars they sell on the lot. In order to get access to dealer auctions, you'll need to go with a friend who has a dealer license and is willing to do a favor for you.
- In addition to actual car dealers, tow-truck companies, auto body shops and others also have dealer licenses.

Pay for parking with pretax dollars. Tax law does permit this. Most of us have to pay either for parking or a monthly bus or train pass. You can pay it pretax by asking the company you work for to deduct it directly from your paycheck.

Gas

With the astronomical prices of fuel these days, many people have had to tighten their budgets to make room for more spending on gas. However, with the application of some gas-saving tips, you can keep your spending to within a reasonable range, and help save the environment at the same time.

- **Maintain your vehicle.** A vehicle that runs smoothly uses less gas than one that is poorly maintained. Regular oil changes, air filter and other recommended maintenance will all help to give you a fuel-efficient vehicle.
- **Keep your tires inflated.** Actually, studies have shown that the savings on gas isn't huge, but it does make a small difference to keep your tires inflated to the recommended pressure. And more importantly, this is also safer and makes your tires last longer.
- **Don't drive during rush hour.** Go to work, and come home from work, either earlier or later if possible, to avoid the rush hour. Stop-and-go driving is one of the worst ways to waste gas.
- **Telecommute.** Working from home can save tons in gas, not to mention giving you more time, productivity, and happiness. If you can telecommute even one or two days a week, this can be a substantial savings.
- **Remove weight.** Driving with more people and more stuff in your car drags the car and requires more fuel. Lighten your load by removing excess cargo.

- **Minimize idling.** One of the worst offenders in lowering your gas mileage, idling gets you zero miles per gallon. If you are going to idle for a minute or less, leave your car on. But if it's going to be much longer than a minute, you should turn off your car.
- **Drive slower.** Driving the speed limit is more fuel efficient than speeding.
- **Accelerate and brake easier.** Driving too aggressively, especially starting fast and braking fast, is bad for fuel economy. Accelerate gently and try to minimize use of your brakes, if possible.
- **Use higher gears.** Driving fast in low gears is bad for fuel economy as well. Drive in as high a gear as possible, unless you're down-shifting in order to slow down or control speed.
- **Buy a fuel-efficient car.** Actually, this is the most important tip on this list. A heavier car wastes gas. Get a lighter car, especially one with a fuel-efficient engine and design. See the federal government's article on choosing a more efficient vehicle.
- **Roll up windows on highway.** While many people think they're saving money by turning off the air-conditioner, it actually creates a strong drag if you are driving fast with the windows down, and is worse for your fuel economy. If you are driving slowly around town turn off the air-conditioner and roll down the windows. Roll them up on the highway.
- **Don't top off.** Topping off while you are filling up your tank is a waste of gas, as any gas that you top off will spill or otherwise be wasted.
- **Park in shade.** A hot car evaporates gas. If it's a hot day, park in the shade, and use your garage.
- **Walk.** Driving less is a great way to save gas. If you have to make a trip of only a few blocks, try walking instead. You will burn fat instead of gas.
- **Cycle.** Many people live close enough to work that they can commute by bike. It's not hard, and you get exercise while saving money.
- **Live closer to work.** Of course, you probably won't be able to implement this tip today, but the next time you're considering where to live, try to find a place close to your workplace, or try to find a job closer to your house. It will save a lot of driving.
- **Group errands.** Instead of doing one or two errands a day, try to group them all on one day, and plan an efficient route to cut back on driving.
- **Carpool.** It's not usually hard to find friends, family or neighbors who live in your area and work near you. Take turns driving each other to save gas for all of you.
- **Use cruise control.** This method has actually been proven to save a lot of gas, as it reduces heavy acceleration and heavy use of the brake. A steady driving speed will improve fuel economy.

Groceries/Food

Not only do you need to eat food to live, the expense of it for the average family can eat you alive! Since food is a necessary and recurring expense, just saving, for example, \$20 a week on your purchases can convert to over \$1,000 in savings over the course of a year.

Coupons/ads

- If you use national brands, spend a little time clipping and using coupons. \$1.50 invested in the Sunday newspaper could save you \$20 or more at the checkout. Organize the coupons by type, so as you develop a shopping list you can make a notation if you have a coupon.
- Look for coupons in women's and general-interest magazines.
- Scout coupon swap-boxes, generally found at (surprise!) supermarkets, but also at some public libraries.
- Take advantage of in-store coupon displays and the machines that spew them.
- Log on to your supermarket's online home page for coupons.
- Call the toll-free numbers on your favorite products' labels and tell the customer-service rep how much you enjoy them. Some reps will offer cents-off (or even free) coupons for the product itself; if not, ask.
- Check out the wealth of national-brands coupon-offering services on the Web. They can save you money—even the ones that charge nominal fees.
- Seek out supermarkets that will double—some super stores even triple—the face value of manufacturers' coupons.
- Try for triple plays. That's when you use a manufacturer's coupon and a store's own coupon.

Plan ahead/stay organized

- Trim your food bill by as much as 19 percent simply by shopping at a couple of different stores.
- Try to plan in advance. By knowing what you need, you will be able to buy in larger quantities (almost always less expensive) and cut down on convenience food purchases (always more expensive).
- Always go with a list. If you go without a list, you may as well just throw your money away. Prepare a list of everything you need, making sure you have everything needed for your weekly menu (next tip) and checking to make sure you don't have it in your pantry, fridge or freezer. Make sure you're not forgetting anything. Now stick to that list—don't buy anything not on the list.
- Plan out a weekly menu. This is the best way to ensure that your list is complete and that you have enough to serve your family dinner for the week. You can plan a weekly menu and then duplicate it for the next week — this way you can shop for two weeks at once. Be sure to plan a leftovers night(s).
- Have a budget. When you go to the store, know exactly how much you can spend. Then try your best to stick within that limit. If you don't know how much you can spend, you'll certainly spend too much. Keep a running tally as you shop to ensure that you're within your budget.

- Make a pantry checklist. Make a checklist of everything you normally stock in your pantry. Keep it posted on the pantry. Put a slash next to each item for the number of items you have (if you have two cans of stewed tomatoes, put two slashes). Then, when you use something, turn the slash into an X. This makes it much easier when it comes time to make your list.
- Plan one big trip a month for bulk staples. You can get fresh items at another store on other weeks, but doing a big bulk trip will cut back on the expense and amount you have to carry for the other three weeks. Avoid buying on impulse at the bulk store too—just because they sell a lot of it doesn't mean you're saving, if you weren't planning on buying it in the first place. Buy in bulk only when it makes sense. If you can save money, over the course of a month or two, by buying in bulk, plan to do so. But be sure that you're going to use all of it before it gets bad—it isn't cheaper to buy in bulk if you don't use it.
- Shop at the store that is the cheapest overall. Surveys have shown that there is sometimes as much as 10-15 percent difference on identical grocery orders at two different stores in the same area. If you spend \$500 a month on groceries, that can equate to \$600 to \$900 a year in savings. Don't throw away your money just because it is your habit to shop at a certain store.
- Keep your receipts—then enter into a spreadsheet. This will be your price list. Use it so you know when bulk or sale items are a good deal. It's also a great way to comparison shop between stores—buy your baking goods in Store A but your fresh fruits in Store B. The spreadsheet can also serve as a checklist to use when you're compiling your shopping list.
- Shop early in the day. You get through the store faster with your list and spend less.
- Cook a lot, then freeze. Plan to cook a big amount of food—a whole mess of spaghetti, for example—and freeze it for multiple dinners. A great idea is to use one Sunday and cook a week's (or even a month's) worth of dinners. Plan five to six freezable dinners and cook them all at once.

What to avoid

- Don't buy junk food (or buy as little as possible). Junk food not only costs a lot of money for about zero nutrition, but it makes you and your family fat and kills you slowly. Talk about a bad deal! Opt for fruits and veggies instead.
- Avoid frozen dinners or prepared entrees. Again, these cost way more and are usually much less nutritious.
- Don't "crisis cook." Shopping after work for the day's dinner gets expensive. Plan a weekly menu before shopping and watch your grocery bill shrink.
- Don't waste money on prepared foods. Instead, prepare meals ahead of time and freeze them, or double a recipe when cooking, and freeze the second for a hectic day coming up.
- Avoid shopping for food when you're hungry; you'll buy more.
- Don't grocery shop when you're tired, you'll buy more sweets, more high-carbohydrates. When you're angry you go for crunch food, the junk food.

- Avoid purchasing nongrocery items, such as painkillers, contact lens solution, etc., at a grocery store. You usually pay more.
- Beware of “discount store syndrome.” Just because you’re in a bargain store doesn’t mean you’re getting the best price on every item.
- Sugar cereals are a bad buy. Lots of money for no nutrition. Look for whole grain cereals with low sugar. Add fruit for better flavor.
- A grocery store’s main aisles, like the paths to milk and bread, are usually strewn with high-priced land mines. Avoiding those pricey areas will really help.
- Try to shop when you’re alone. Go when the kids are in school. Those little helpers can quickly boost your bill. Even if you’re able to stick to your guns, it’s not pleasant saying no 10 million times. In most cases, you’ll save money shopping without the kids.
- Avoid buying snacks from vending machines or convenience stores. Keep healthy snacks on hand at all times. Toss a granola bar and a bottle of water in your purse before running errands; stash some goodies in your desk drawer at work—just be ready for that hunger attack wherever and whenever it decides to strike.

Think outside the box

- Shop online. Lots and lots of items—more than 22,000—are now available for quick and easy purchase online at Amazon.com’s new grocery section. The majority of the prices really can’t be beat. Plus, all products can ship for free, via Super Saver Shipping, Amazon Prime, or free standard shipping.
- Purchase whole animals from local farms. When you buy a quarter of a cow from a local farm, a butcher cuts it into the familiar hamburger, flank and sirloin steaks and packages it for you. An extra bonus: Local farms often raise all-natural or even organic beef, pork and chicken.
- If you’re really devoted to cutting your grocery bill, try buying through a co-op. To do this, you’ll need to form a “buying club” with friends and neighbors; forming a group will allow you to order food at wholesale prices. The effort is well worth it.
- Think deep freeze. If you really want to save, you’ll need a big freezer. Ask around—someone you know might have a relatively new model they don’t need anymore. You can use freezers to stock up on meat, frozen veggies and similar staples and to freeze big batches of pasta, casseroles, and other dinners you prepare ahead of time.
- Check your store for a small section where they discount products that aren’t as popular as the manufacturer had hoped. This area can be a gold mine for bargains.
- Request price matching. Find a store in your area that will honor all competitors’ ads. You’ll save money, time and gas.
- Cut back on meat. Meat is expensive. Plan vegetarian meals several times a week (think pasta or chili) and for other meals, you could just use a little meat as a kind of seasoning instead of the main ingredient—think Asian, Indian and other cultural food.

- Make your own coffee. At \$4 a pop, Starbucks (or similar) coffee can add up to nearly \$1,500 a year if purchased once a day. Twice a day, and you can double that figure. Making coffee at home costs only cents, and if you buy Fair Trade coffee, you're helping poor farmers and the environment.

Pay attention to details

- Some retailers guarantee that if the item doesn't ring up at the correct price, you get it for free or at a discount. Pay attention to the details.
- Know when your store marks down goods that expire, like meat and bread. The meal: Use them that night or freeze them.
- Shop with a calculator. That way, you can figure whether the unit price for a case lot is really cheaper than buying one of the same item.
- Always get a rain check if a sale item is gone.
- Check your receipts. No matter how careful you or the store staff might be, mistakes happen.
- Always send in for the rebate on a purchase whether it's \$2 or \$50. It all adds up.
- Take the farmer's market approach: Buy produce that's fresh, inexpensive and in season. With less middlemen involved, you get good buys and your family gets the freshest good.
- The highest markup items on the shelves are at about chest level. Reach up or kneel down to select the cheaper house or generic brands.
- A grocery store's main aisles, like the paths to milk and bread, are usually strewn with high-priced land mines. Avoiding those pricey areas will really help.
- Look for products that use less packaging or buy in bulk (or at co-ops where you bring your own containers), and use real plates and silverware instead of paper or plastic ones. The use of paper and plastic disposable products is a huge contributor to the destruction of the environment. Bring cloth grocery bags when you go shopping instead of using paper or plastic.

Other grocery shopping tips

- Consider store brands or generics. You may find the quality is equal to (and sometimes better than) the national brands, and store brands/generics are generally considerably less expensive.
- Buy frozen veggies. While fresh veggies are a little better, frozen veggies are almost as good and much better than nothing. And since you can keep them in the freezer, they rarely go bad.
- Look for specials. Every store has specials. Be sure to look for them in the newspaper, or when you get to the store (they often have unadvertised specials — look on the higher and lower shelves for deals). Don't buy them unless they're things you always use.
- Cut back on your "one-item" trips. They waste gas, and almost inevitably, you buy more than that one item. If you plan ahead, make a weekly menu, and shop with a list, this should drastically

reduce the number of trips you make for a small number of items. But if you still find yourself running out for a few items, analyze the reason — are you not making a good list, are you forgetting some items from your list? Avoid trips to the corner store. Or the gas station! These are some of the most expensive stores. (Ranking right up there with airport stores.)

- When there's a sale, stock up. Sale items can be a great deal. If it's an item you normally use, buy a bunch of them.
- Don't waste leftovers. Have a list on your fridge of what leftovers are in there, so you don't forget about them. Plan a leftover night or two, so you're sure to eat them all. Pack them immediately for lunch, so they're ready to take the next morning.
- Instead of eating at fast food joints or expensive sit-down restaurants, save huge amounts of money by creating a simple menu, buying the groceries and cooking at home. You can create very easy dinners in 15 minutes or less, and the cost will be a fraction of what it costs to eat out. You can avoid the excessive packaging of fast food to help the environment.
- Use store savings cards. These can add up to big savings over the long run.

Eating Out

Eating out can be tough on anyone's budget. However, it's always nice to relax, treat yourself (and your family), and eat a meal at a restaurant. Here are some ways to do that without breaking your budget.

- Don't order two dinners. If you go to a restaurant with your partner, order one dinner and an appetizer and split it. Restaurants typically serve way too much, which is costly and unhealthy (if you try to finish it).
- Make a second dinner on leftovers. Start by eating the veggies and fries or bread, then eat the actual meat item last. You might be so full from the warm up stuff that you don't eat much meat. Then take the meat home and use it for a second dinner the next night. Two dinners for the price of one!
- Go for lunch specials. Lunch specials will be cheaper than dinners, and breakfasts are even cheaper, generally. Always ask about the daily special, as it can often be a good deal.
- Get a discount. There are lots of ways to find discount coupons for restaurants online. Try Restaurant.com: enter your zip code and see what restaurants offer coupons or discounted gift certificates.
- Just order side items. A salad and an appetizer can often make for a delicious but affordable meal for one.
- Special days. Many restaurants will offer special family days, or will allow kids to eat for free, or have special discount days. Call ahead and take advantage of them.
- Choose an affordable restaurant. While fast food is invariably bad for you, there are medium-priced restaurants that can offer a decent meal without breaking your budget. While there are many ways to save on eating out, one of the best is to start with a restaurant that doesn't charge an arm or a leg.

- New restaurants. Often a restaurant that has just opened for business will want to attract new customers with discounts and specials. These are often advertised in the newspaper or in advertising mailings. Keep an eye out and take advantage.
- Drink water. You go to a restaurant for the good food, not the soda or alcohol. You can get those for much cheaper at a grocery store. Drink water, perhaps adding a slice of lemon for taste.
- Fast food. The cheapest options, of course, are fast food restaurants, and you can find some fairly healthy options at some of them. For example, Subway and Wendy's offers salads or new healthier sandwiches and vegetarian options. Go to a burrito place and order a vegetarian burrito—cheap, fairly healthy and delicious.
- Skip dessert. If you're eating at a sit-down restaurant, dessert is often a rip-off. Pick up a carton of ice cream on the way home, and save a bunch.

Clothing

Although many consumer items have actually reduced in price over the last few years (most notably, computer and electronic items) the cost of clothing has increased. In addition, a purchase price that not too long ago bought a good quality garment now seems to buy virtually “throw away” clothing. With some planning, though, it is possible to maintain clothing purchases that are in line with your family budget.

- **Buy separates that coordinate.** You can make numerous combinations with a few well-matched items. For women, jackets, slacks, skirts and blouses can be mixed and matched to create many different outfits. Plus you can change the look of these outfits with accessories such as jewelry or scarves. Men's clothing offers a wide variety of separates that can be coordinated: blazers, slacks, shirts and ties can all be interchanged to create a versatile wardrobe with a minimum of expense.
- **Buy a season ahead.** Buy next year's winter clothes at the end of this season and save. The styles won't change that much (if at all) and you will pocket a big difference in the price.
- **If you are “hard” on clothes, buy quality.** Buying an \$80 pair of shoes that will last saves money in the long run instead of having to buy 3 pairs of \$35 shoes that don't hold up.
- **Stay away from trendy fashions.** Stick with the basics. You can always be sure your clothing styles will last from year to year when you buy perennial stand-bys such as medium length A-line skirts and solid tailored blazers for women or neutral color shirts and tailored to semi-tailored sports coats for men.

Telephone

In most areas of the country, your local phone service is currently regulated and has a fixed price. The difference in long-distance costs, though, can be eye-opening. Many consumers simply stick with their current long-distance carrier because it is convenient and they feel that it would be a hassle to change. By shopping around, however, you may find some considerable savings that can really add up.

Skype is an Internet-based phone system that lets computer users make calls for free or for only a few dollars a month. You don't need an actual phone — just a computer and, if you wish, a headset, which

costs about \$20 at Radio Shack or Best Buy. Download Skype for free, and you can “call” other Skype users for nothing. Pay a monthly fee and you can make unlimited calls to land line and cell-phone users.

Computers

A computer can often be one of the largest purchases you make, aside from home and auto, running well over \$1,500 if you get a top model. However, if your budget doesn't allow for a large purchase, don't fret—there are ways to buy a computer for a bargain and keep your budget intact.

- **Friends and family.** The first place to start looking for a deal on a computer is from your friends and family. Often, they've just made a new computer purchase and are looking to get rid of their old one, for a small price (or even free). The only way to find out is by asking. Send an email to everyone you know and tell them you need a working computer. See what comes back. Sure, it's not the latest model, but if all you need to do is word processing, email, games, spreadsheets and web browsing, you don't need a lot of power.
- **Other donated computers.** Next, look for places online (try Freecycle.org) or offline that are getting rid of computers people don't need. Often you can get a free one that's perfectly workable. You just need to look around.
- **Buy used.** Again, if you're willing to forgo the latest model (and you pay a high premium for the latest models), you can get some great deals on used (or “pre-owned”) computers. Check your local classified ads, Craigslist and garage sales.
- **Refurbished.** The best online computer sites will take a used computer, fix it up with some new parts, and sell it as “refurbished”. These are often excellent deals and good quality if you go to a reputable buyer. Companies like Apple and Dell have a great refurb section with factory-reconditioned models at a discount.
- **Do your research.** If you want a good deal, you should know what's out there, what models are good, what should be included and what shouldn't. Spend some time browsing some of the sites with the best deals: Newegg.com, Geeks.com, Buy.com, Amazon.com and others. Ebay and other online auction sites are great places to look for new and used computers. You'll need to spend a little time looking for a good deal, putting in bids and seeing if you win, but the time you spend can net you a great price on a good computer.
- **Build it yourself.** If you have a little technical know-how, or are willing to put in the time to learn, you can buy a “bare-bones” computer for \$50, and then add in a motherboard, CPU, RAM, and hard drive to get a computer for under \$300. Then you can look around for a free monitor and peripherals, and you've got a bargain-basement deal.
- **Mac Mini.** For those who are into the Mac OS for its aesthetics, simplicity and lack of viruses, the Mac Mini is a great deal. It comes in at a little over \$500, although you'll have to get peripherals such as monitor and keyboard separately. Although this is a bare-bones Mac system, it's perfectly usable for the average user, and you can always upgrade with more RAM if you'd like. Plus, it looks cool and it's so tiny that it takes up very little space on your desk.
- **Don't take financing.** However you buy your computer, don't take the financing deals offered by computer vendors. While it may seem like buying something now and paying later is a good deal, and that it fits perfectly into your budget (only \$20 a month!), you end up paying much more in

the long run as these “deals” come with a very high interest rate. Save a few hundred dollars and get a cheap computer on cash instead.

Slow down your Internet service. A slower Internet service option with a cable company could save \$15 per month. Some say they haven’t noticed a difference when surfing the Net.

Travel

Price differences here can be enormous. The difference in costs on the same trip—same airline, same hotel, same car rental—between two travelers can run into the thousands of dollars. Take a little time to comparison shop to assure the best possible deal.

Credit card rewards points. Some people never use cash when they can use a credit card. They win multiple free flights a year by paying virtually all of their bills — including groceries, utilities and their mortgage—with a Southwest Airlines card. They even buy Dunkin’ Donuts gift cards on credit and use them to buy their morning coffee. Set aside an hour a week to pay bills and always pay the full credit card balance so you never pay interest.

Share your vacation. Another couple and some friends rented a beachfront Jamaican villa, complete with chef and bartender, and spent less than \$5,000 for the week.

If you’re going to travel overseas, consider vacationing in Mexico, the Caribbean or even in Africa or Asia, where the dollar is stronger than it is in Europe.

To get the cheapest fares, use a service like FareCompare.com, which sends e-mails the instant a cheap fare becomes available for your destination of choice. Don’t procrastinate buying that ticket—the cheapest fares go to only about 10 percent of travelers.

Toys

Parents know that kids’ toys are getting more and more expensive these days — the newer and higher-tech toys can run in the hundreds of dollars. And kids always seem to want the latest and greatest toys they see on television and that they see their friends playing with. But at some point, the cost of these toys can get out of hand. And if you want to keep your budget from breaking, here are a few strategies that could help out.

- **Host a toys party.** Kids might play with toys for a little while and then get bored with them. But they’re perfectly good toys. To prevent waste and to save money on new toys, invite some friends, family and neighbors to a toys party. Ask everyone to bring good toys that they’re willing to exchange. Have some food, play games, think up different ways to exchange the toys, and leave with a whole new set of toys, without spending a dime.
- **Thrift shops.** They often have a bad image, but if you check out the thrift shops in your area, you might find that there are some good toys for very cheap. It’s worth a look at least.
- **Rummage sales.** You can get some great toys from people who are cleaning out their house or moving. Spend a Saturday looking at different rummage sales in your area. It can be a lot of fun.
- **Exchange a box with friends.** When you notice your kids not playing with toys, put it in a box in your closet. Ask your close friends to do the same. When the boxes are full, exchange them.

- **Make your own.** Some of the best toys are made by parents. From kites to blocks to forts, if you get creative, you can make some fantastic toys and only spend a fraction of what it would cost to buy. And the best part: your child could help, especially with the decorating.
- **Shop after Christmas.** The best deals on toys are the week after Christmas, when the rush is over and stores are trying to get rid of excess inventory. Keep your eyes open and you can find some great deals.
- **Green them up.** Getting environmentally friendly toys will not only help Planet Earth (and it's never too early to start teaching your kids about the environment), but they're also safer and cheaper in the long run. Avoid harmful PVC material, and look for wood — the toys will last much longer, and are safer for children. Look for simpler toys that don't require batteries. Look for non-toxic paints and sturdier toys that will last a long time.
- **Use their imagination.** Kids can be amazingly creative. Sometimes they enjoy playing in or with the box the toy comes in more than the toy itself. Give them some paint or beads or glitter and glue, and they can have a blast. Let them play outdoors, and make toys with sticks or other things they find in nature. Make a fort out of bed sheets or a refrigerator box. Let them use their imagination, and old toys can become new again.
- **Look for coupons on online sites.** Do a search here or elsewhere online for discount coupons.
- **Reduce your need.** The best way to save money on something is to learn to need less of it. Talk to your kids about the cycle of consumerism, about how advertising creates a need in us to buy new stuff and how it's bad for the environment to keep producing and consuming more stuff. Tell them how kids in other parts of the world have to go without toys ... and teach them to spend their time helping others instead of wanting to buy stuff for themselves. It's never too early.

Taxes

How many times have you done your taxes and three weeks later learned you had missed the opportunity for a deduction? Too many, I'm sure. How can you not miss these deductions the next time? Start planning now.

Here are 10 common missed deductions that can affect your tax bill for 2008 and your tax planning for 2009:

- **Noncash contributions.** If you don't have the cash when it comes time to contribute in 2008, charge it. The deduction is allowed in the year of the charge, not when you actually pay the bill. Get a receipt from the charity to which you made a donation and, if you're still worried about documentation, get the credit card company to send you their record of the transaction. If you donate items (i.e. clothes, furniture, etc.) to Goodwill or a similar charity, the value of the item is deductible. Get a written receipt. With noncash charitable contributions, the rule is simple: No receipt means no deduction if you get audited.
- **New points on refinancing.** With interest rates so low over the past few years — even in 2005— lots of homes have been refinanced, sometimes more than once. Any points you pay to refinance your home can be deducted on a monthly basis over the life of the new loan. So, if you refinanced your mortgage on June 1, 2008, for a 20-year term, seven out of 240 months will have passed after Dec. 31. If you paid \$2,400 in points, you can write off \$70 (\$10 a month for seven months)

for 2008. You can write off \$120 for 2009 and each year thereafter until the points have been deducted in full. The amount may not be huge, but every little bit helps.

- **Old points on refinancing.** This is one deduction lots of people miss. All unamortized points on an old refinancing are deducted in the year of a new refinancing. So, let's say you refinanced on June 1, 2007, and paid \$2,400 in points. You refinanced again on June 1, 2008. You can deduct *all* the remaining points on the 2007 loan. That's \$2,280 plus the \$50 you could deduct for January through May 2008. Likewise, if you refinance the 2008 loan in 2009 (if interest rates stay low), you will be able to write off the remaining balance on your 2008 points.
- **Health insurance premiums.** Any health insurance premiums you pay, including some long-term care premiums based on your age, are potentially deductible. You have to add these, however, to your medical expense pot. Medical expenses have to exceed 7.5 percent of your adjusted gross income (AGI) before they give you any tax benefit.

But if you're self-employed and not covered by any other employer-paid plan, you can deduct 100 percent your health insurance premiums above the line. Above the line means the expense is included in AGI and doesn't get lumped in with itemized deductions. That means that you not only don't have to exceed the 7.5 percent floor, you don't even have to itemize!

- **Investment and tax expenses.** Many of us forget tax planning and investment expenses because they are part of miscellaneous itemized expenses. Their total must exceed 2 percent of your AGI before you get any tax benefit. Expenses to track include your employee business expenses, tax preparation fees and even the portion of your legal or accounting fees relating to tax planning. For example, in a divorce, the legal time spent relating to the tax aspects of alimony and child support would qualify. So too would the tax aspects of estate planning. Many people shortchange themselves on the deduction of investment expenses. They remember the safety deposit box fees. But how about the annual fee paid to a broker and any IRA fees you pay directly? You may remember the cost of your investment subscriptions—such as *Forbes*, *Fortune*, *Business Week*, *Worth* and *Barron's*. But how about the investment newspapers you buy off the newsstands? You keep track of your long distance phone calls to your broker and investment adviser, but how about the mileage to go see them?
- **Casualty deductions.** If the area you live in was hit by such casualty as a fire or hurricane (and President Bush declared your area a disaster), you can claim your loss on your return. You can confirm whether you qualify on the [Federal Emergency Management Agency's Web site](#).
- **Retirement tax credit.** This one is even better than a deduction. It's a credit—a dollar for dollar reduction in your tax — not just in your taxable income. And, it also can come with a deduction. This deduction is designed to give moderate and low-income taxpayers an incentive to save for retirement. Make a contribution into your retirement account. That money isn't taxed currently. So, it's like you got a deduction off your income. In addition, you get a *credit* of as much as 50 percent of the first \$2,000 invested. That's as much as a \$1,000 reduction in your tax. You get the \$1,000 tax reduction as well as the \$2,000 reduction in your income. That's a nice rate of return on a \$2,000 investment. Moreover, if you qualify, you can deduct as much as \$3,000 in contributions to an IRA.

The tax credit disappears as your AGI increases. But singles with AGIs up to \$25,000 and joint filers with AGIs up to \$50,000 will qualify. The limit is \$37,500 for heads of households.

Contributions to your 401(k), 403(b), SEP, traditional or Roth IRAs will qualify as well.

Reducing Debt

When credit cards are sucking you down like quicksand, paying double or even triple the minimum payment won't cut it. Extreme debt calls for extreme measures. Here are seven ways to radically reduce debt:

- **Reduce housing costs.** You can move to a cheaper abode or you can get a roommate. In either case, make sure the cost (of moving, say) doesn't outweigh the savings.
- **Drop a car.** Gas, maintenance, car payments—imagine the money you could save if you gave up one household car or found other ways to commute and run errands. A growing number of cities offer car-sharing programs ([Zipcar](#) and [Flexcar](#)) or even bicycles.
- **Get (another) job.** You don't have to work nights and weekends forever, but if a part-time job gave you an extra \$300 a month, that's \$3,600 you can put toward debt this year.
- **Quit your vice.** Most of us don't live the Carrie Bradshaw life, but today's indulgences can add up fast. At \$7 a pack for cigarettes in New York, giving up a pack-a-day habit will save you \$2,550.
- **Live moderately.** Shifting priorities and locations can help downsize your lifestyle.
- **Let the kids go public.** According to the Council for American Private Education, the average cost of private elementary and high school is about \$4,689 a year. Whew. Public school is ... free!
- **Tap your assets.** If you have access to a nest egg, windfall or generous relatives, you might consider using that money to pay off interest-generating debt. Don't raid your 401(k) or other retirement funds, but you might want to consider selling other assets.

Being in debt may not make you feel smart, but getting out of debt sure can. Jump-start your debt reduction efforts with the following smart money moves:

- **Survey the damage.** Before you can do anything about your debt, you need to know what you're dealing with. Grab a piece of paper and a pen and write down all of your debts. This includes credit cards, charge cards, mortgages, second mortgages, home equity loans, car loans, personal loans, medical bills and any other debts that you've accrued. Beside each debt, jot down the associated interest rate and minimum monthly payment. Now, total up all of your entries and you have a clear picture of your current debt load.
- **Ask for a lower rate.** Next up ... tackling those high interest rates. Look over your list again, and highlight any debts with an interest rate that exceeds 15 percent—that's too much to pay if you're serious about getting out of debt. To bring your rates to a more reasonable level, just dial up customer service and ask. Most banks will happily lower your interest rate to keep you as a customer—particularly if you have a history of paying on time. If a bank seems reluctant to agree, mention some of the offers that you've received in the mail. Nobody likes to lose business to a competitor.
- **Transfer balances.** Run into a bank or two that refused to budge on its interest rate? No need to worry; that just means it's time to make good on that threat to take your business elsewhere. Research the transfer offers on your other credit cards to see if moving your debt to one of those

could net you the rate that you're looking for. If necessary, branch out your search to include new offers that you receive in the mail. *Note: When transferring a balance, the interest rate is important; but not the only detail to consider. Before accepting a transfer offer, find out if there are any fees involved, and if the rate you're being offered is fixed or promotional.*

- **Tackle one debt at a time.** After several rounds of calls, your debt load should now be at the lowest interest rate possible. Pat yourself on the back for being a smart credit consumer; then, get on to paying off those debts. Identify the debt on your list that you'd most like to pay off. It can be the debt with the highest interest rate or even the one that irks you most—the choice is yours. Then, proceed by making the minimum payment on all of your debts and applying any additional money to your chosen debt. Continue to do this until all debts are paid. It may take you a while, but you're sure to feel pretty smart when you reach that debt-free finish line.

How to make saving a habit

So, how do you save money without scrimping, be thrifty without feeling miserly—and maintain those habits after our economy picks up speed? It won't be easy. Expect discomfort. Keep going, even when it's uncomfortable—the rewards are worth it, and once this economic slowdown ends, you'll have financial habits in place to support you for a lifetime. Here are some simple tips to help you think thrift:

- **Spend less time feeling poor.** Flipping through catalogs and going to the mall will make you feel like you need things. Sure, you can afford some of that stuff, but the main message is: Most of this is out of your reach. Instead, do things that offer a sense of well-being. Invite friends over. Walk in the park.
- **Retrain your brain.** When you start to feel that “I'm deserving so I'm buying” feeling, visualize a smaller credit-card bill or higher savings-account balance.
- **Look around you.** Are you happy with what your hard-earned dollars bought? If not, shift your spending to those things that bring greater long-term satisfaction, including retirement savings.
- **Choose your extravagances.** Eating out about once a week may be one you can't do without. An extravagance you may be able to do without: Cable television.
- **Assess weaknesses.** Identify what you want to change; then shoot for specific targets, such as a six-month hold on buying new tech gadgets.
- **Make trade-offs.** Substitute small, free pleasures for those that cost. Have a movie night at home with friends — you'd be surprised how many people are equally eager to cut costs.
- **Set goals.** Meet weekly with family to discuss the spending plan (don't call it a budget) for the months and years ahead. This may involve tough choices, such as forsaking a family vacation. But think of the guilt-free trip you can take after saving the necessary cash. Good memories last longer when not trammled by large credit-card bills.
- **Resist your children.** They're going to find it hard to change their expectations. How can you help? Stand firm. The next time they clamor for the latest videogame, remind them of the bigger prize (that family vacation), and tell them their choices here and now are, say, a picnic or a movie rental. Offer options, but don't give in to their push for more consumer goods.
- **Enlist other people.** Many people are reticent to talk about money worries, but almost everyone has them, so open up and tap your allies. Hold a contest with friends to see who can save the most in a month, or agree with your spouse to talk before spending more than \$100.

- **Post it.** Remind yourself by putting post-it notes on your wallet, mirror or steering wheel with the mantra of your choosing: “I want to go to Hawaii in January.” “I want to pay off credit-card debt.”
- **Automate it.** Divert money monthly from your checking account to savings. It will force you to budget, based on what’s left in your checking account.
- **Rethink rewards.** What are some of your happiest memories? Those are the true rewards. Next time you’re about to buy something because you deserve it, ask yourself whether there isn’t something you deserve more, such as time at home cooking with your teenager, or a stroll with your husband or best friend.

Benefits of a personal financial coach

A personal finance coach, mentor or advisor can help you identify goals and motivate you to make those goals a reality for your future. A personal finance coach can also:

- Manage your personal finances like a well-run business.
- Change the thinking patterns that got you in debt in the first place.
- Give you strategies and tools to increase and manage cash flow.
- Set up a structured program to eliminate all your debts, including your mortgage, in 5 to 7 years.
- Provide accountability and support to insure your financial progress.
- Help you use a web-based personal financial control system.
- Provide teleconferencing and newsletters on critical financial topics.
- Generate sufficient savings and assets to help you retire comfortably.
- Guarantee if you faithfully apply the technologies and strategies you learn from coaching you will not fail.
- Help realize the dream of being debt free.
- Teach you how and why you got into debt so you can avoid it in the future.
- Give you opportunity to start over and rebuild your life to your own specifications and give you the strategy to actually get there.
- Help you learn to reroute and refocus your present income to make it work more effectively for you rather than for your creditors.

Miscellaneous

- Freecycle.org, a membership organization with thousands of local chapters, helps people give away unwanted goods, such as brand-new baby clothes, computers and furniture, to other “freecyclers” so that it won’t end up in landfills. Most of the time, it’s not worn-out Salvation Army merchandise. You can “ask” for something specific, and often, you’ll get it. People frequently ask for exercise equipment, like treadmills, and find treasures within a day.

- Not surprisingly, super savers are also crazy about Craigslist.org. A shopper bought a \$5,000 leather living room set for only \$200 when he noticed the classified ad on his local Craigslist site.
- Take your last puff. Depending on the wallop packed by the “sin taxes” where you live, you could save more than \$2,000 a year if you go from being a pack-a-day smoker to a non-smoker. You’ll also qualify for significantly cheaper life-insurance rates after you quit.
- Get DVDs from Red Box. If your library doesn’t offer DVDs, get your movies from Red Box. It costs just one dollar per night.
- Pay your life and auto insurance annually. Insurance companies charge you more if you pay monthly, quarterly or semi-annually. Pay once a year and you’ll pay less.
- Think before submitting an insurance claim. A rule of thumb is not to submit a claim on a loss that is less than twice your deductible. So for a \$250 deductible on an auto loss, you would pay out of pocket any loss up to \$500. Why? The \$250 received from your insurance company is not worth the increased premiums you are likely to pay. You may want to call your insurance agent to find out how a claim will impact your premiums before filing the claim.
- Eliminate some cable service. If you must have cable, take a look at all the charges on your cable bill and consider getting rid of your premium channels.

The information herein was compiled by Quadrant Living Experience LLC