

February 4, 2011

## **Budgeting for Additional Cash**

Here are ten tips that can help you save money.

### **1. Focus on Savings**

Pay yourself first. Determine the amount of money that you can afford to save each month and if you can, have it direct-deposited to your savings account, or to an investment account. Wherever you decide to keep your savings, make sure you put money into it every month.

### **2. Use Cash**

Carry enough cash to last one week at a time. You find that when you only have cash available you are more likely to question whether the item you are about to purchase is a need or a want. Determine how much you will need each week for necessities only and put the credit and debit cards away.

### **3. Take Control of Your Grocery Bills**

Plan what you and your family will eat for the next week or two. Factor in leftovers and use this menu to create your shopping list. To avoid spoilage, only buy fresh foods as you need them.

Every time you go to the grocery store, save the receipt. Create a spreadsheet and record every grocery purchase. This will help determine your budget and develop a price list. When you get to the point that you remember what certain items cost you can better determine deals and specials. It's also a great way to comparison shop. Your spreadsheet is a good checklist to use when you're putting together your menu plan and shopping list.

### **4. How much are Your Habits?**

If you are spending \$2 a day for a cup of coffee, \$9 for a pack of cigarettes every couple of days, and \$50 at happy hour every week, you are spending approximately \$5,000.00 per year. Think about it – could you use that money for something more worthwhile, like paying off your credit card bills? Some habits can be very hard to break but in the end you'll have money in the bank. Also quitting some of these habits will improve your health - you will save on health care expenses later on.

### **5. Share the Responsibility**

Every member of the household should participate in the budgeting process, including children. This is a good opportunity to lead by example and teach your children responsible money management.

Sit down together to explain the goal and determine how much spending money each member of the household should have. Then, every week see how well you're doing. If everyone shares the responsibility it will be easier to save money and realise your goal together.



CONSUMER AFFAIRS

BERMUDA

Promoting Confident Consumers and Responsible Traders

## **6. Pay Down Debt**

Paying the minimum monthly payment on your credit card bills could take you forever to rid yourself of the debt, not to mention how much you will end up paying in interest. You are only prolonging the agony and causing yourself stress. Examine your monthly expenses and determine where you can find the money to pay more than the minimum monthly payments. We can all sacrifice some of our monthly spending to pay off debt.

## **7. Keep Your Receipts**

Once the budget is set it can be tempting to stop counting every penny and keeping up with every expense. But if you really want to realise exactly how much you are spending and you wish to stick to your budget you should save your receipts, and write down every penny you spend and where – don't forget bank charges. You'll be less likely to overspend if you have an accurate account of how much money has actually gone through your hands.

## **8. Analyze Your Spending**

Examine your budget, can you find any expenses that you can avoid? What is more important to you? A pedicure every other week can cost you approximately \$2,000.00 a year and eating lunch in a nice restaurant twice a week is approximately \$1,500.00 per year. One might argue that these luxuries, along with facials, manicures, golfing, happy hour etc. contribute to our piece of mind and improve our mental health.

One could also argue that an extra \$3,500.00 per year comes in very handy. Do the math and decide what you are willing to sacrifice to reach your financial goal.

## **9. Special Accounts**

When you have finally put aside a good sum of money put some of these funds where you don't have easy access to it. Set up a CD or other account with early withdrawal penalties. Banks and other institutions pay more interest if you'll agree to let them use your money for a longer amount of time. Putting your savings into a yearly CD will yield more than a three-month note would.

## **10. Don't forget...Less can be best...**

Perception does not always equal reality and just because someone looks like they are doing well and financially successful, doesn't mean that they are.

Too many of us want the biggest and the best, no matter what the cost. When a \$25,000.00 new car may be more than acceptable, we break our budget and buy a \$45,000.00 car. We buy \$50.00 handbags with \$100.00 designer labels attached. We opt for the \$150.00 dinners at swank restaurants when a \$30.00 meal at home would have been just as delicious or better.

Think about where you are spending your money and what you can accomplish financially by spending less. Eventually, with careful and sensible spending, financial success can be achieved.

