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HOW TO SAVE ON COMMON EXPENSES

LUKE 16:10-11

Whoever can be trusted with very little can also be trusted with much, and whoever is dishonest with very little will also be dishonest with much. So if you have not been trustworthy in handling worldly wealth, who will trust you with true riches?

Done by themselves, each of the following suggestions may not be a significant amount individually, but a large number of little things done together can add up to a lot.

• **Groceries**

- Prepare a weekly menu using the weekly sales flyer & coupons, then prepare a grocery list. Stick to just the items on the list once in the grocery store.
- Buy store brands instead of name brands
- Coupons / Weekly sales / Rebating
- Watch your time in the store – the longer you're there, the more you spend.
- Understand that the store is laid out in a way to generate impulse spending. This is not evil or immoral, just be aware of it.
- Eat before you go – Don't grocery shop when you're hungry
- Buy food in bulk, prepare meals in advance, and freeze them for later.
- Buy non-perishable items in bulk.

• **Eating Out**

- Order water to drink. Ordering a drink adds to the total cost, plus tax, plus tip. Not to mention that water is healthier. If a drink is \$2 per spouse, and you eat out once per week, that's \$4 per week, or \$208 per year.
- Eat out on Mondays and Tuesdays. These are the slowest days of the week for restaurants. Many will offer special deals to increase business on these days.
- Share an entrée, especially if you normally bring home leftovers
- Order just an appetizer & desert instead of a full meal. At many restaurants, the appetizers are large enough to be a full meal.

• **Use cash instead of plastic**

- No chance of fees for exceeding a credit limit, incurring interest, or being charged penalties for late payments
- Spending with cash neurologically registers in the brain as pain - Joint study by Carnegie Mellon & Stanford Universities. (Humans normally try to avoid pain)
 - Studies find that when paying with plastic, consumers are less sensitive to price and spend more extravagantly. You buy more, and you're willing to pay a higher price for it. (CNNMoney.com)
 - McDonalds found that their average transaction increases from \$4.50 to \$7.00 when customers use plastic instead of cash. (55% increase)
 - A 2003 survey of supermarket receipts found that credit card shoppers rang up 30% larger bills and bought twice as much non-essential items as cash buyers. (CNNMoney.com)
- Those who pay off their card balances every month spend 12-18% more than when they spend with cash - Dun & Bradstreet
 - Cash Back = 2%, but you're overspending by 12%. You've gone backwards by 10% even though you haven't paid any interest!
 - Air Miles – example from one credit card's website:
 - ◆ Add two zero's to the cost of the airline ticket to determine number of air miles needed. A \$180 flight requires 18,000 air miles.
 - ◆ You 'earn' two miles for every \$1 spent on the card. 18,000 air miles requires \$9,000 to be spent on the card.
 - ◆ Assuming that you're overspending by 12% (see above), you would have spent \$8,035 with cash instead of \$9,000 on the card.
 - ◆ The math: \$9,000 minus \$8,035 = overspent by \$965 to 'earn' a \$180 flight!

CHALLENGE: Over the next two weeks, put the cards away and spend with only cash. See if you don't spend your money very differently!

- Negotiate prices with cash. For the following win-win reasons, expect a 5 – 10% cash discount at many businesses. This is way better than 2% cash back or air miles.
 - Businesses don't have to pay the credit card transaction fees when consumers purchase with cash. Transaction fees vary, but typically average around 2.5%.
 - Businesses don't have to audit the statements when they get paid to make sure the fees were calculated correctly. This saves them time (and time is money).
 - Businesses have the money to use today. They don't have to wait several days to receive payment from the credit card issuer.
- Pack a lunch for work instead of eating out. This saves on both food & gas.
- Drink one less cup of gourmet coffee per week. If it saves you \$5 each time, over 52 weeks, that adds up to \$260 saved.

- Downsize your cars. Repairs are cheaper than payments. Depreciation (the loss in value of a vehicle over time) is the largest expense for newer cars, not gas. See below:
 - Avg Car payment is \$478/month = \$5,746/year (Kiplingers Personal Finance Magazine & Edmunds.com). You can replace two transmissions every year for less than \$5,746!
 - Average Depreciation Numbers (averaged from several sources):
 - 25% by the end of the First Year
 - 40% by the end of the Second Year
 - 60% by the end of the Fourth Year
 - Example:
 - \$20,000 car goes down to \$15,000 in value after 1st Year (\$5,000 loss at 25%)
 - If you drive 12,000 miles a year (1,000 miles a month), at 25 mpg, you'll burn 480 gallons a year.
 - $\$5,000 / 480 \text{ gallons} = \10.42 per gallon for the cost of gas to equal the cost of depreciation in first year.
 - \$8.33 per gallon to equal same cost as depreciation over two years.
 - \$6.25 per gallon to equal same cost as depreciation over four years.
- Shop for better auto & homeowners insurance rates every two years.
- Don't pay for luxury and convenience.
- Refinance the mortgage while rates are at all-time lows. Do not refinance for a term longer than the time remaining on your current mortgage.
- Turn off cable & satellite dish. These are not necessities, they are luxury items! TV is still broadcast for free. A recent Nielson study says the average American watches 4 hours of TV per day, or 28 hours per week. Instead, work a part-time job for 28 hours per week (or read, or play games with the family, or talk with your spouse, or, or, or...) There really is life after ESPN!
- Check out movies for free at the library instead of renting. If it saves you \$10 a month, that's \$120 per year. If they don't have a movie you want, you may be able to request it and have them add it to their inventory.
- Replace a night out of entertainment with a family reading time. Books, of course, can be checked out at the library.
- Cancel services like NetFlix. Some people are finding it hard to watch enough movies to justify the cost.

- Save big fees at tax time by avoiding the 'fast cash' Refund Anticipation Loans. When treating the fees as interest and calculating them on an annual basis, the interest paid to "borrow your own money" can be between 70% - 700%! (Consumer Federation of America)
- Purchase used items at garage sales, second hand stores, and online outlets. Especially infant and toddler clothing. At these younger ages they grow so fast that they only wear clothing a few times before they outgrow them, so they're almost new anyway!
- Systematically replace light bulbs with CFL bulbs. On average, each bulb will save \$8 a year. If you have 15 bulbs in your house, that's \$120 a year.
- Use a basic land telephone line with no extras (call waiting, caller I.D., etc.) and Pre-Paid Cell Phones for emergencies only. Most people are near a land line the majority of each day (either at home or at work). Basic land-line service can be purchased for around \$30 a month, and pre-paid call phone services run as little as \$17 a month total for two cell phones. That's a combined cost of \$47 a month. Most cell phone plans are more than that by themselves.
- Use cloth napkins instead of paper.
- Carpool with friends and co-workers to save on gas.