

Cutting Costs to Live Within Your Income¹

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Developing self-control of your spending is a basic step in cutting the cost of living. Some families are able to afford what they want, even on a limited income. This may result from having more experience or greater skills.

But others need help in managing their finances to get what they need and want. Research shows that people worry more about money than any other family problem. If families communicate and everyone understands what the financial situation is, there will be greater cooperation.

Planned Spending

You and your family need to set goals and establish a plan for earning, saving, and spending money. Lack of planning may lead to serious difficulties. Planned spending is the first step for solving family money problems. Design your spending plan to suit your particular circumstances and your goals.

For step-by-step instructions on creating a spending plan, you should check out http://edis.ifas.ufl.edu/topic_series_building_a_spending_plan.

Here are the steps in making a personalized money plan:

1. Set SMART goals (SMART goals are ones that are specific, measurable, achievable, realistic, and timely; see FCS7055/HE169 *Goals and Standards in Resource Management* at <http://edis.ifas.ufl.edu/he169> for more details.). What do you want your money to help you accomplish?
2. Track your expenses to see where your money is going. Do not forget to include those expenses that occur quarterly or semi-annually, such as your insurance. If you are unable to recall the amounts, keep records of expenditures for two or three months. Your expenditures should reflect your goals. Re-evaluate each expense to determine if it can be reduced. The main purpose of the spending plan is to give you direction in achieving your financial goals.
3. Determine your total income. This is the money available for paying your bills after taxes or other deductions.



Figure 1. Credits: Comstock Images, © Getty Images

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4. Determine your fixed expenses (the expenses you pay on a regular basis, such as rent or mortgage, electricity, water, phone, insurance, etc.) and flexible expenses (the expenses which vary from month to month, such as food, clothing, transportation, etc.).
5. Test your spending plan. A simple spending record shows where your money actually goes. The trial test will show whether the plan is realistic. A good spending record will also locate money leaks, or spending that you never really intended.
6. Stick to your plan!

Tips for Reducing Spending

You probably know specific things you could do to reduce spending. The following suggestions may work for you.

- Categorize your expenses as *wants* and *needs*. *Needs* include housing, basic utilities, childcare, etc. *Wants* could include going out to eat, high fashion, newest electronics, etc. *Wants* we can space out over time.
- Do not let your impulse determine major purchases. Postpone unplanned purchases 24 hours so you can rethink your plan.
- Avoid shopping when you are down, depressed, tired, or hungry. If you have children, shop without them to reduce any sense of being rushed; feeling rushed may lead to impulse purchases.
- Before purchasing an item, ask yourself, “Why?”
- Reduce the number of trips you make to the stores. Wait until there are things you need.
- Plan purchases around seasonal sales throughout the year.
- Pre-shop to stop spending leaks. Decide what you want and why you want it before you go shopping. Make it a habit to compare prices and values.
- If at all possible, try out or try on the item before you buy it. This practice will provide you with the opportunity to determine if the item will meet your needs.
- Compare the cost per unit of items available in different sizes. It is not always cheaper to buy in bulk.
- Save on food by planning meals with abundant seasonal items and supermarket specials. Take a carefully prepared list to the grocery store and stick closely to it. Use point-of-sale information for comparing product quality and price.
- Save on clothes by planning your wardrobe. Check for fit, and buy only clothes that fit comfortably. Coordinate your clothing and accessory items. Examine care labels for fiber content and cleaning instructions. By taking proper care of your clothes, you will make them last longer and save money on replacements.
- Save on transportation by selecting an automobile that adequately meets your needs, but does so without extremely high cost. A fuel-efficient automobile will yield substantial savings over time. Planning trips in logical sequences instead of doubling back to places you have already been also saves fuel.
- If you have debts, accelerate repayment. There is little reason to retain savings that earn 3% interest while you still owe installment debts and loans that carry true interest rates of 12%–22%.
- For your banking services, select an institution with the lowest service charges on your accounts. Some banks do not charge anything as long as you keep your checking account above a certain minimum amount.



Figure 2. Credits: Hemera

- Buy property insurance at a reasonable cost. In general, you save by combining several types of coverage in one policy. A homeowner's package policy costs less than separate fire, theft, and liability insurance policies.
- When buying insurance, avoid buying on a weekly or installment basis. This costs you much more than payments made every six months or annually.
- House repairs can be costly. Get competitive bids from reputable firms before the work is started.
- Maintain your furnace or air-conditioner by remembering to change or clean the air return filter regularly. Not only is it less efficient to have the fan pull air through a dirty filter, but also a clogged filter can burn out the motor and cost you a repair bill.
- Take steps to conserve heat, cool air, and hot water. Use weather stripping, caulking, and insulation to reduce utility bills.
- Water leaks are not only annoying, but also expensive. Water-use charges vary from one locality to the next. A series of seemingly minor leaks can run your water usage up several thousand gallons a year.
- Water your lawn, not the pavement. A carelessly-placed or over-powerful sprinkler can send many dollars' worth of water washing down the sidewalk and into the gutter each year.
- When buying a household appliance, remember that the bottom-of-the line model will perform its intended function without the frills of the more expensive top-of-the-line model.
- Compare the included warranty coverage of the appliances you are considering in your purchase decision as many extended warranties/service contracts are overpriced. A way to save on the high cost of repairs is to avoid them.
- Additional tips can be found in the *Managing in Tough Times* publication from UF/IFAS Extension. It is available free at: http://solutionsforyourlife.ufl.edu/families_and_consumers/money_matters/managing_in_tough_times.html.