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20 Ways to Save on a Shoestring

BY MP DUNLEAVEY

Savings. When you hear that word, do you feel a clutching sense of guilt and inadequacy? If you're like most Americans, you must. According to a study of saving behavior by economists Steven Venti of Dartmouth and David Wise of Harvard, more than 75% of respondents said they knew that their savings, specifically for retirement, were insufficient.

That's shocking, but not as remarkable as their discovery that how much you save has very little to do with how rich you are. Venti and Wise divided the 7,700 households they studied into 10 income groups. The top 10% of the lowest income group nonetheless had saved more than \$150,000 per household. Meanwhile, middle-income folks, on average, had only \$45,000 in assets.

That's annoying and embarrassing, and it means I have no excuse for my inadequate savings. And neither do you. Because what Venti and Wise found to be the most significant savings factor was no more jaw-dropping than this: Ya just gotta save it.

But hooooow, you whine? How can you save a red cent when you just barely live on what you earn? Well, since you asked: Saving is a two-step process. First you retrain your brain, and then you find all kinds of clever ways to live on less (many of which are conveniently located below).

Step 1: Retrain your brain

Saving money is a state of mind. Before you can start, you have to renounce the spending -- and stop believing you actually need all the stuff you've been spending money on. Just don't. Spend, that is. Sure you want it, but that's no excuse for buying it. The next time you want to buy something, take the \$50 or \$100 out of your wallet, and stash it somewhere. See? That's called saving. You don't end up with stuff; you end up with MONEY. A few other tips for the brainwashing you're about to do:

Accept frugality as your savior. Become a closet cheapskate and emulate your frugal friends. Note that they fix the shower curtain instead of buying a new one. Sit down with Depression-era relatives and ask about economizing. That's what I did. And, yea, did the spirit of saving take hold of me!

Seek inspiration. Get thee onto MSN Search and type in "living cheaply," "frugal living" and "voluntary simplicity." You'll find a gazillion Web sites devoted to living on less,

including HYPERLINK "<http://www.thefrugalshopper.com/>"thefrugalshopper.com and HYPERLINK "<http://www.simpleliving.net/>"simpleliving.net.

Cry poverty -- with style. Learn handy phrases like, "Lets eat somewhere cheap." And "Shopping? Blech. Lets go for a bike ride." It's less embarrassing than you'd think, because more people are in your shoes than you think -- and they'll be grateful you spoke up.

Step 2: Now save it!

There are a thousand ways to live on less. But you don't want to make your life a misery. Here are some of the most painless ways you can economize without losing out on quality of life.

Don't even think about it. Direct deposit is a savers best friend because the money is whisked away into your IRA, 401(k) or money market account -- and you don't have to do a thing. Except drop by your payroll department and/or your bank and fill out the damn forms. Today.

Go veggie. If you can do three meatless days a week (without substituting pricey fish), you could save \$25 a week, which equals \$100 a month, which equals \$1,200 a year! Beans: Ya gotta love em.

Play money games. Whenever you get a \$5 bill, put it aside. Or do it with ones, with quarters or all your spare change. You'll have a nest egg before you miss a nickel.

Never spend a windfall. Take your income-tax refund, that holiday money from your folks, the \$16.35 overpayment check from the telephone company and any other extras and save em.

Haggle. You'd be amazed at who will drop their prices, fees and interest rates: airlines, hotels, credit card companies, computer/appliance/rug salespeople.

Re-evaluate. Re-evaluate. Re-evaluate. That dinner out cost more than you spend on groceries in a week. That pair of shoes is worth half a commuter pass. Learn what your money is worth, and you won't be so quick to dispose of it. Use some of the tools here at MSN Money to analyze your spending (See box at left).

Don't overpay your taxes. Sure you love to get a fat refund from the IRS every spring. The fact is, however, you're effectively lending money to the government interest-free. Go through your tax return and see if you can plan your withholding so you get to Dec. 31 maybe getting a \$100 refund. That way you can use your money NOW. (And bank the refund when you get it.)

Raise your insurance deductibles. Reassess the deductibles for various kinds of insurance. If you can raise them, your premiums drop.

Get your mortgage costs down. First, look at whether the rate is too high. If it is, look at refinancing -- if you'll save money. Next, let's look at the private mortgage insurance (PMI) you've been paying because you didn't have enough money to make a 20% down payment. You're protecting the lender, not you. If the equity in your home is greater than 22%, demand that your lender cancel it. It's the law. Lastly, pay ahead on your mortgage. If you can swing an extra \$100 per month, you will save thousands in interest costs over the long haul.

Toss the catalogs. The most insidious form of spending temptation known to man or woman. Chuck them straight in the trash. Yes, including Victoria's Secret. Sorry, guys.

Don't pay unnecessary fees. Like the \$1.50 you pay just because the ATM is right there, right now as opposed to walking two blocks to your bank, where you don't get charged every time you use your cash card. Or the late fees for returning videos. I know a woman who paid \$60 in late fees to a video store last year. (It wasn't me.) (OK, it was.) Or those fat charges banks hit you with when you write a check that, well, bounces.

Clean it yourself. Vie discovered a nifty trick: When a clothing label says, "Dry Clean Only," I wash it. Or I dab out that little coffee stain with an old-fashioned cleaning device known as *a sponge*.

Never pay a pro. If you can fix the neighbors car, and she can paint the bathroom: do it.

Bank your raise. You may find that measly 3% to 5% boost in the paycheck irritatingly tiny. So add that to your direct deposit and live on your previous salary.

Pay less for long-distance. Evaluate your phone bill and see how much you're paying per minute. Some dial-around codes or cheap calling cards (one without a surcharge per call) may give you a better rate. Not only do you save, but you may find you won't need to speak to Al in Schenectady so often.

No pet pampering. Does your dog need those pricey snacks? Does your cat need acupuncture? We didn't think so.

Never pay full price. If you must shop, for Pete's sake, discover the online world of discount Web sites. Ebay is still OK, but half.com and craigslist.org are excellent sources of "lightly used" goods -- everything from books to jewelry to office furniture -- to the entire first season of Star Trek on video.

I could go on and on, but let's stop here. If you follow even a few of these tips (as I have)

you'll end up with a substantial chunk of extra cash every month. Just stay in the savings state of mind, and don't blow it on those post-holiday sales, OK?

What's the Money Mastery Point?

When you track your money you control it. The best way to get spending under control is to evaluate how you have spent money over the past 12 months to see what you really value. Then spend money according to those values by tracking your behavior to see if you are remaining true to those values, as the article suggests.