

**Money, 1/1/97**

## **One Family's Finances: They're Living the Good Life on \$17,580 a Year**

***No-Hold's Barred Penny Pinching Helped the Tightwad Gazette Editor and Her Husband Retire in Their Forties. Are Any of Their Extreme Measures for You?***

BY LESLEY ALDERMAN

As the 6 a.m. sun turns the Maine sky from black to azure, the Dacyczyn household is in a flurry of preschool activity. Jim, 47, stands at the kitchen island in front of six multicolored lunch boxes, spreading peanut butter and jelly on white sandwich bread. In the pantry, Amy, 41, in jeans and a faded green T-shirt, her hair still wet from the shower, is whipping up a double batch of breakfast muffins in a stainless-steel bowl. Alec, 13, is sleepily gathering his belongings for his 7 a.m. school bus pickup. By 7:15, the family (minus Alec) gathers round the dining-room table for a hearty breakfast of orange juice and hot muffins.

A typical morning in a typical rural American household? Not quite. Those muffins? They're mostly a blenderized combination of stale cornbread, leftover scones and pastry scraps the average baker would trash without a thought. The other ingredients – flour, sugar, raisins, eggs and baking powder – were purchased in bulk at rock-bottom prices at local food markets. Total cost for a batch of 18 is 62 [cents]. Those sandwiches? They're made on home-baked bread (35 [cents] for a 1 ½-pound loaf), with discounted peanut butter bought by the case (99 [cents] for an 18-ounce jar) and jelly the family made from the free wild grapes. Total cost per lunch box, including homemade blueberry tarts and juice from frozen concentrate: a thrifty 50 [cents].

Meet America's most celebrated frugal family: Amy and Jim Dacyczyn (sounds like decision), Alec, Jamie (11), Neal (9), Becca (8) and twins Brad and Laura (5). By shopping at yard sales, growing 500 quarts of their own food every year and shunning frills like vacations, babysitters, new toys and new clothes, the family keeps its annual expenses to an incredible \$17,580 – less than half the \$39,537 that an average family of six spends. Amy won national attention in 1990 by stuffing her real-life tips into the *Tightwad Gazette*, the wildly successful monthly newsletter that she folded last month so she could spend more time with her family. (Simple tip: don't throw out flat soda; add it to leftover juice from canned fruit, freeze it and you've got frozen pops.)

Dumbfounding? Depreventational? Downright disturbed? Perhaps, but Amy and Jim's tightwad tricks have helped them achieve what most Americans only dream about: early retirement, a secure future and zero debt. To find out whether any of their extreme sacrifices in creature comforts are worth it, we spent some time last fall in the conspicuously unconsuming Dacyczyn household. If nothing else, the family teaches powerful lessons about the value of managing your wants and reducing your needs.

Jim and Amy both grew up in working-class Yankee homes where frugality was a necessity. When they married in 1982, the couple had zero savings but big ambitions. Amy wanted "a minimum of four kids, a big house in the country – and to be a stay-at-home mom." But on their income of about \$38,000 from Jim's Navy electrician job and Amy's freelance graphic-design projects, they knew it wasn't going to happen without scrimping. So scrimp they did. No dinners out, no movies, no convenience food. Over seven years, the couple did the undoable: They saved \$49,000 (and raised four kids) on that \$28,000 a year. Their savings were enough for the down payment on their dream house: A \$125,000 five-bedroom Victorian (now fully owned and worth \$175,000) with an adjoining barn on seven acres in Leeds, Maine, an hour north of Portland.

The financial success of Amy's newsletter and of two subsequent books, *The Tightwad Gazette* and *The tightwad Gazette II* (her third, *The tightwad Gazette III*, is due out this month from Villard for \$12,99), could have made scrimping a non-issue. The Dacyczyns will say only that their net worth is close to \$1 million. Here's how the dollars add up: the newsletter, which cost \$12 a year and at its peak had 100,000 subscribers, likely brought in several hundred thousand dollars in profit over six years. And the 460,000 books she sold gave Amy and estimated \$500,000 in advances. Meanwhile, the family continues to live almost entirely on the \$14,000-a-year pension that Jim has collected since retiring in June 1991. The couple say they've saved enough to cover their living expenses until they die and to put all six kids through college, plus make generous donations to charity.

If the sudden influx of money had any effect on Amy and Jim, it was to make them even more adamant about thrift. Take a recent grocery run by designated food shopper, Jim, who embraces frugality as wholeheartedly as his strong-minded wife (monthly food bill: \$190, about half the average that a similar-size family spends on groceries). He ordinarily buys food in bulk at warehouse clubs and supermarkets once a month, storing the goods in their 23-cubic foot freezer (a present from Jim's dad) or in their roomy basement. But he also peruses sale circulars each week and will make interim trips if the price is right. Armed with this "price book" (a six-ring binder he recycled from an insurance company giveaway) that lists the lowest available prices on more than 100 household items that he'd compiled over the past six years, he hits the road.

First stop: the local IGA supermarket. Jim spies a sale on sugar (99 [cents] for a five-pound bag), snags 10 bags and scans the shelves for other deals. Seeing nothing that beats his price book's lowest tag, he presses on to Myer's Country Cupboard, a natural food

store. The Dacyczyns have figured out that spices there are cheap in bulk: bay leaves cost \$13.14 a pound vs. a whopping \$344.47 for 133 bottles of 0.12 ounce jars – a pound’s worth – bought at the supermarket.

Jim’s favorite stop, though, is Caswell’s Liquidation Center, a repository for food items no longer ready for grocery prime time. In this dimly lit warehouse-style emporium reside dented cans, cornflakes whose packages are printed in Arabic and food that has passed its “sell by” date. That’s right. “People are confused about those dates,” insists Amy. “often the date means only when the food is at the peak of quality. It doesn’t go bad on that date.” Recent Caswell hauls: mozzarella cheese two months past its sell date for \$1.09 a pound, Grape-nuts one year past their peak for 99 [cents] for a one-pound box and half-gallons of ice cream with no date at all for \$1. On this trip, Jim comes to a full stop before a display of green and red marshmallows shaped like Christmas trees. The bag is five months past the sell date, but the price is sweet: 43 [cents] for a 10.5 –ounce bag. Jim gives a pinch. “They’re still soft,” he says, tossing two bags into his cart. “I’ll use these to make trail mix for the kids.”

Later in the day, Amy carefully sorts through a bag of used clothes that a *Tightwad Gazette* employee has given her. She’ll stockpile the togs in the attic, which contains 39 cardboard boxes labeled “Neal’s shoes,” girl’s size 12 pants,” “Scout uniforms” and the like. Amy gets virtually every pair of shoes and item of clothing her six children wear – including some undergarments – either from such gifts or from one of the hundreds of yard sales she and Jim hit each summer. (The kids are allowed one new item at Christmas and on birthdays; the rest of the gifts are secondhand or homemade.) Amy shuns most thrift stores – “too expensive,” she says – and has set ceilings on how much she will pay: shirts no more than 50 [cents], pants no more than \$1. Total kids’ clothing budget: \$50 a year.

If you expect the Dacyczyn house to be a place of peeling wallpaper and flimsy dinette sets, think again. Their beige Victorian is perhaps the best evidence that thrift need not equal squalor. Even Martha Stewart might approve of the spare but elegant furnishings: country antiques, carefully refurbished secondhand pieces and artwork gathered at local sales. Much of that furniture came from the 1991 estate sale of Amy’s great-grandmother; the couple spent a very unfrugal \$3,500 to buy a truckload of heirlooms, in part because the proceeds went to her grandmother and two great-aunts. Each child’s Shaker-spare room has its own colorful quilt, handmade by Amy for \$1 from scrap fabric and old sheets, and a bookshelf full of secondhand toys.

How do the Dacyczyns keep their children, who do not receive allowances, from whining for \$80 Nikes? Easy, say Amy: “We brainwash them by taking them to yard sales.” If one of her kids begs for a new pair of earrings, for instance, she will say instructively that she could spend 410 on one pair of earrings at the mall. But if she waits for yard sales, she could have 10 or 20 pairs for half the price. Eleven-year-old Jamie, a lanky blonde, is the only child who dared to complain to us: “I’ve never had anything new. I’ve never even

bought a pair of shoes at J.C. Penny.”

One other problem with the Dacyczyn’s low-consumption lifestyle: It’s isolating. The family rejects dinners out, most vacations and movies (last summer’s splurge was to see “Babe,” the first family movie outing in about 10 years). Sports activities and lessons are not encouraged, although the four oldest kids do attend Girl Scout and Boy Scout meetings (annual dues \$12 per child). The family is “emotionally self-contained,” says Amy proudly. She like her children to play with one another, not with other people’s kids.

The couple do indulge their kids’ desire for animals, though. Their three cats and one dog, all mutts, cost \$130 a year to feed and provide not added value – except that the kids like them. When a neighbor’s dog killed Alec’s cat last September, his parents quickly got a new one that was being given away. “Thankfully, the old cat died right on the spot,” Amy says. “Otherwise we would have had to spend \$500 at the vet, and it would have died anyway.” Medical expenses for the human members of the household are low, thanks to free health insurance under Jim’s Navy plan (the annual family deductible if \$300, with a 20 percent co-payment).

Curiously, the master savers are relatively uninterested in investing. “it’s much easier to cut back than to make smart investments,” Amy insists. What’s more, she adds, saving is a totally safe and predictable form of generating income. “I can guarantee the average family of six a \$3,000 windfall in one year jut by buying and preparing food carefully,” she says. “No investor can give you such certainty.” Nevertheless, in 1991, Amy and Jim hired commission-based financial planner Carol Linker of nearby Hallowell to supervise their investments. At the conservative couple’s insistence, Linker put 70 percent of their stash in bond funds and just 30 percent in stock funds.

At day’s end, home-grown beans are simmering in the oven and homemade Boston brown bread is steaming on the stove the for the evening meal. The kids are watching TV on the family’s 14-year-old, 15-inch color Sony, and Jim is preparing to make juice from grapes the kids gathered earlier in the day. Looking fondly around the house she and Jim have put so much work into, Amy observes that she has gotten what she set out to achieve in life: a beautiful home, a devoted partner and a brood of healthy children. “I want my kids to feel they had a good time growing up and never lacked for anything,” she says sincerely.

### **The Advice**

Three experts *Money* consulted – Lew Altfest, a New York City financial planner; Linda Barbanel, a New York City psychotherapist; and Donna Scott, a food scientist at Cornell University – expressed admiration at the Dacyczyns’ financial discipline. But they also offered these suggestions:

Reduce your reliance on salvage foods. Most food is safe to eat well after the “sell by” date, says Scott. However comestibles that end up in salvage stores may have gone

through several distribution channels, which increases the chances that they have been stored at improper temperatures. It also increases the chances that bacteria that may have gotten into the food have multiplied. Both problems can make you sick.

Give the kids an allowance. “Children need a realistic sense of how money works,” says Barbanel. She suggests that the couple give each child at least \$2 each week to spend as he or she pleases. That money will help them learn about budgeting, managing money and prioritizing expenditures, instead of just figuring out how to do without. Moreover, Barbanel worries that when the Dacyczyn brood go off to college and see kids with possessions they were trained not to want, they may end up feeling guilty about their desires. Amy and Jim should lighten up a bit, she says and indulge the kids more often.

Invest more aggressively. “If the Dacyczyns are certain that they have enough money to pay for their retirement and for the their kids’ college education, then they don’t necessarily need to invest in stocks,” says Altfest. “But their plan does not allow for unforeseen expenses. Nor does it take into account that inflation could be considerable higher in the future.”

So Altfest advises Jim and Amy to reverse their asset allocation completely, moving 70 percent of their assets into equities and 30 percent into bonds. Such a portfolio will return an average 11 percent a year, he estimates, vs. 8 percent a year for their current holdings. Assuming the family’s investments total \$500,000, making the simple changes Altfest recommends will return them an extra \$15,000 or so a year. And it’s sure easier than clipping coupons.

Not surprisingly, the Dacyczyns disagree with the experts. On food, says Amy: “If there was a significant health risk from eating salvage food, there would be a law against consuming it.” On allowances: “We don’t give allowances because when our kids are adults, no one will give them something for nothing.” On investing: “We’re not concerned about increasing our holdings but about protecting what we do have. Plus, we don’t trust the stock market.”

### **What’s the Money Mastery Point:**

“It is possible to live within your means if you track and control how you spend your money. Living within your means also requires that you manage your wants and learn to reduce your needs. Money Mastery does not necessarily advocate this type of austere spending reduction because it is possible to get your spending under control, live within your means, and still have fun doing it. But important lessons about self discipline can be learned from this article and applied by those who are having an especially difficult time seeing how they can possibly cut their spending any more than they have.”

### **How They Spent Less Than \$2,200 per Person Last Year**

At first glance, the Dacyczyns' lean-and-mean budget seems marbled with a vein or two of fat. Their car and truck maintenance and insurance alone is a meaty \$5,100 a year, for example, more than three times the \$1,572 national average. But that's because they must maintain two large vehicles to haul their half-dozen kids, plus yard-sale and curbside finds. And because utilities are pricey in their rural area, the family's oil and electricity bill comes to a steep \$2,500 – \$699 more than that of the average family of comparable size.

Vehicle maintenance, gas	\$	5,250
Groceries		2,640
Utilities		2,500
Medical and vet expenses		1,550
Property taxes		1,400
Auto insurance		1,100
Homeowners insurance		830
Furniture		520
Gifts		500
House repairs		250
Telephone		250
Miscellaneous		230
Vacations		150
Clothing		115
Entertainment		100
Hunting and fishing license		75
Girl Scout and Boy Scout fees		70
Books and magazines		50
<b>TOTAL</b>	<b>\$</b>	<b>17,580</b>