

A Money Saving Strategy

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A money saving strategy for good times and bad.
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There are hundreds of money saving tips I could offer, and many of them might be useful in your particular situation. But there is a strategy for spending less which will make you far more secure than any number of tips on how to buy things for less can. That is what this article is about.

{bot_wrgoogle}Suppose Tim and his family spend money every week to eat out, and they go to the movies regularly as well. They also like to take trips for picnics or to go to events on weekends. Now suppose Hank and his family avoid eating out, and they watch whatever movies are on the television, and instead of trips out on the weekends, they take walks. Which family do you think would be more financially secure?

It's impossible to say until I introduce some more information. For this example, we'll assume that Tim's family lives in a home that costs just 20% of their income each month, they've replaced all light bulbs in the house with low-watt fluorescent bulbs, they have no credit card debt, drive a high-mileage car, and have \$8000 in savings in the bank. Meanwhile, Hank's family lives in a nice home that eats up 35% of their income each month, pay high utility bills, have \$15,000 in credit card debt, drive a big SUV, and have a few hundred dollars in the bank.

With this additional information, we can see that for all their easy-spending habits, Tim's family is probably safer in the event of a lay-off or other costly event. If Hank loses his job, his family could face losing their home and even declaring bankruptcy within a couple months. There is an important lesson about money saving habits in this story. It suggests that instead of knowing how to shop well and get a good price, it is far more important to keep your regular and fixed living expenses low.

With that in mind, here is a strategy that is simple - but not easy - which you can implement to make yourself and your family far more financially secure. It starts with looking at every regular expenditure which cannot easily be eliminated. This means rent or house payments, utility bills, debt payments, car costs and anything else which you can't easily choose to stop paying next month.

List them all, and then look at every possible way to cut the cost of each. If you can refinance to lower your home payments, do that. If you can set the heat a bit lower in the house and replace lights with more efficient ones, get going. Pay down debt starting with the highest interest accounts. Apply your money saving efforts to all of these regular expense before you even start to think about clipping coupons or shopping at thrift stores. Then start banking the savings.

You see, once you have enough money in the bank to handle six months without a job, and once you are living on just 75% of what you are taking home in income, you'll be more financially secure than most of the people you know. Not only that, but if you achieve this level of control over your financial life, going to the movies when you feel like it or eating out twice every week will no longer be fiscally irresponsible. It will be the reward for your efforts.

By all means clip coupons and shop sales if you want to save even more money, but these are not the crucial steps. If your living costs are low and you have money in the bank, you are prepared for rough spots in the future. And when they come, you can stop those trips to the movies or the restaurant. Those who spend all of their money just on the essential living expenses cannot easily cut any costs, and so will face much tougher times. That's why it makes sense to start not with looking at per-ounce prices of tomato sauce, but with a basic money saving strategy that better prepares you for any eventuality.

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