



## **Surviving the Recession**

*100 Ways To Save Money, Cut Costs  
and Survive in Today's Economy*

By Douglas Hanna

Proudly brought to you by

**Lewis Philips signature books**

[Email](#)

### **Recommended Resources**

- [Web Site Hosting Service](#)
- [Internet Marketing](#)
- [Affiliate Program](#)

## **Please Read This First**

### ***Terms of Use***

This Electronic book is Copyright © 2009. All rights are reserved. No part of this book may be reproduced, stored in a retrieval system or transmitted by any means; electronic, mechanical, photocopying, recording, or otherwise, without written permission from the copyright holder(s). You must not distribute any part of this ebook in any way at all. Members of eBookwholesaler are the sole distributors and must abide by all the terms at <http://www.ebookwholesaler.net/terms.php>

### ***Disclaimer***

The advice contained in this material might not be suitable for everyone. The author obtained the information from sources believed to be reliable and from his own personal experience, but he neither implies nor intends any guarantee of accuracy.

The author, publisher and distributors never give legal, accounting, medical or any other type of professional advice. The reader must always seek those services from competent professionals that can review their own particular circumstances.

The author, publisher and distributors particularly disclaim any liability, loss, or risk taken by individuals who directly or indirectly act on the information contained herein. All readers must accept full responsibility for their use of this material.

All pictures used in this book are for illustration only. The people in the pictures are not connected with the book, author or publisher. No link or endorsement between any of them and the topic or content is implied, nor should any be assumed. The pictures are licensed for use in this book and must not be used for any other purpose without prior written permission of the rights holder.

Images © 2009 Jupiter Images

# Contents

**Please Read This First..... 2**

*Terms of Use..... 2*

*Disclaimer ..... 2*

**Contents ..... 3**

**About the Author..... 8**

**Introduction ..... 9**

*How is your credit card debt?..... 9*

*Are you one of the lucky Americans?..... 10*

**8 Ways this Book can Help You Live Better ..... 11**

*How would you feel if you were really in charge of your finances?..... 11*

**Getting Started ..... 13**

    How to Get Started..... 13

**2. The Myth of Fixed Costs..... 17**

    Mortgage, Mortgage - What Kind of Mortgage Fits You Best?..... 17

*Where to get information on mortgage rates ..... 18*

*Where to find an ARM calculator..... 19*

    Learn from our bad experience ..... 19

    Direct Lender Compared to Broker ..... 20

**3: Slice and Dice those Food Costs ..... 22**

    How to reduce your grocery costs by 10% or more ..... 22

*Where to find those money-saving coupons online..... 23*

    Tried and true ways to save money on groceries..... 24

*Watch your Attitude ..... 24*

*Get a notebook ..... 24*

*Read the fine print in all store ads and on your coupons ..... 25*

*Know when to use a list ..... 25*

*Know when not to use a list..... 25*

*Grocery stores are for groceries ..... 25*

*Take a rain check ..... 25*

*Know the system..... 25*

*Realize that more isn't always cheaper ..... 26*

*Does your store honor competitors' prices?..... 26*

*Look for double coupons ..... 26*

- Weigh before you pay*..... 26
- Make sure those bargains really are bargains*..... 26
- Realize that sometimes the best bargain isn't the lowest price*..... 27
- Make sure mistakes don't happen* ..... 27
- Put your savings to work* ..... 27
- Chapter 4: Cut Your Energy Bill**..... 28
  - Quick, easy things you can do to reduce that bill* ..... 28
- The Cheapest Answer**..... 28
  - Inexpensive storm windows* ..... 29
  - A great \$60 investment*..... 29
  - Do new windows make sense?*..... 30
  - Do your own cost analysis*..... 30
- Free Information from Your Government** ..... 31
- Chapter 5: Stomp Your Phone Bill**..... 32
  - Fewer features could mean nice savings* ..... 32
  - Drop that landline?* ..... 32
    - Minutes, minutes, are you really using all those minutes?* ..... 33
    - Have you thought about phone cards?* ..... 34
    - Dial a few extra numbers and save big!*..... 34
  - Tricks and Traps* ..... 35
  - Some Simple Questions** ..... 36
    - Be sure to check billing increments* ..... 36
- Chapter 6: Chop Your Cable Bill**..... 39
  - Subscribe to movies instead of premium channels* ..... 39
  - Could you save with satellite TV?* ..... 39
  - How about DirectTV?*..... 40
- Chapter 7: 10 Ways to Bust the Cost of Your Auto Insurance**..... 41
  - Get at least three price quotes*..... 41
  - Check insurance costs before you buy your next car* ..... 42
  - Reduce the coverage on older cars* ..... 42
  - Keep a good credit record*..... 42
  - How old is your car and what is its condition?*..... 43
  - 12 fast and simple formulas to get low-cost car insurance*..... 43
  - Can you qualify for a low mileage discount?*..... 43
  - Check about group insurance* ..... 43
  - Are you paying for duplicate medical coverage?* ..... 43

- Look for other discounts*..... 43
- Chapter 8: Lower the Cost of Your Homeowner’s Insurance**..... 45
  - Shop around* ..... 45
  - See what you might save with higher deductibles* ..... 45
  - Can you make your house disaster-resistant?* ..... 46
  - Upgrade your home security* ..... 46
  - Look for other discounts*..... 47
  - Keep your credit record clean and up to date*..... 47
  - Don’t change insurers* ..... 47
  - Don’t pay for coverage you don’t need.* ..... 48
  - If you are in a government plan, look at private insurance.* ..... 48
  - Consider the cost of insuring it before you buy a home* ..... 48
- Chapter 9: Heal Your Health Care Costs?**..... 50
  - Can you actually trim these costs?*..... 50
  - Pay less for your medication* ..... 51
  - Can you take advantage of a flexible spending account (FSA)?* ..... 52
  - Fight overcharges* ..... 53
  - Can you play “Let’s make a deal?”* ..... 53
- Chapter 10: How to Tame the Credit Card Monster** ..... 55
  - Interest Rates Really Matter* ..... 56
  - More ways to get out of credit card debt*..... 57
  - What about those credit counseling companies?* ..... 58
  - The time value of money* ..... 59
  - Give yourself a credit check-up*..... 60
  - If you find errors*..... 62
  - How to get your credit reports*..... 62
- Chapter 11: Life Insurance – Who Needs it?** ..... 64
  - The Secret to Buying Life Insurance*..... 64
  - Term compared to cash-value Insurance* ..... 65
  - Term or cash-value; which is right for you?* ..... 65
  - How to eliminate that pesky life insurance agent*..... 66
- Chapter 12: Slash Those Travel Costs**..... 68
  - Travel like a Prince on a pauper’s budget*..... 68
  - How can you get the best possible fare?* ..... 68
  - How flexible can you be?* ..... 68

- How to cut the price of a ticket you've already purchased* ..... 69
- What about charter flights?* ..... 69
- Interested in saving money on a Disney World vacation?* ..... 70
- How to save money on a hotel room* ..... 70
- Resort Vacations ..... 71
  - Sink the cost of cruising* ..... 72
- Chapter 13: Even More Cost-cutting Tips** ..... 75
  - Auto Maintenance ..... 75
    - If your car is under warranty*..... 75
    - When your car is not under warranty* ..... 75
    - Lunches at work?*..... 75
    - Cutting your entertainment budget*..... 76
    - Trim those clothing costs* ..... 76
    - Buy school supplies when they're on sale*..... 77
    - Free coupons that can help you save big!* ..... 77
- Chapter 14: Building a Budget and Sticking To It** ..... 79
  - Were your goals too high or too low?* ..... 80
  - See your savings*..... 80
  - Budgeting - tough love style*..... 80
  - Is saving money part of your budget?*..... 81
  - A 401K: It can still be a working person's best investment* ..... 81
  - Other investment alternatives*..... 82
  - For the small business owner and the self-employed* ..... 82
  - Why you might select a SEP over a Solo 401K*..... 83
- Chapter 15: How to Get More out of Your Paycheck** ..... 84
  - Flexible Spending Accounts*..... 84
  - How Flexible Spending Accounts Work* ..... 84
  - Dependent-care flexible spending*..... 85
  - Transportation reimbursement*..... 85
  - Retirement*..... 85
- Chapter 16: The Other Alternative – Increasing Your income**..... 86
  - One picture can definitely be worth 1,000 words* ..... 88
  - Build a business on eBay*..... 88
  - Liquidations and close outs*..... 89
  - More places to get the good stuff*..... 90
  - How to profit from bad spelling*..... 91

*How to find out what's hot* ..... 91

**Appendix A – Check Your Progress**..... 92

*How to use this worksheet*..... 92

    Your New Budget Worksheet..... 93

**Appendix B: Your Worksheet for Auto Insurance**..... 94

**Appendix C: Facts About Credit Scoring**..... 95

*The factors that make up your credit score* ..... 95

*Other factors*..... 96

*If you're turned down for credit*..... 96

*Is Credit Scoring Fair?*..... 96

*What about loans?* ..... 96

*What could create an error on your credit report?*..... 97

*Keep a good credit score?* ..... 97

*What a credit counselor says* ..... 98

## **About the Author**

Douglas Hanna is a retired advertising and marketing executive. He lives in a suburb of Denver, Colorado with his wife and two dogs.

In his capacity as an advertising agency Vice President of Creative Services, Douglas worked closely with one of his state's largest banks and one of its largest Savings & Loan institutions. This taught him many of the financial tips and tricks you will find throughout this book.

Also, Douglas has researched and written about personal finances for many years. He wrote more than 25 popular articles on the subject.

Douglas has also written more than 200 other articles on a variety of subjects.

Douglas knows from personal experience how difficult it can be to survive financially during tough times. As a 23-year old, Douglas found himself supporting a wife and baby on less than \$5,500 a year. This gave him a strong interest in personal money management, which has lasted throughout his adult life.

"My life was very difficult for a number of years," Douglas said. He decided to learn everything he could about cutting costs and saving money. "While it was tough," he said, "I got through by using many of the money-saving techniques I include in this book."

His book is dedicated to all those of you who are interested in cutting costs and surviving tough times like Douglas learned to do.



## Introduction



If you're like many American families, you're having trouble making ends meet.

You're not alone, either. One recent study showed that seventy percent of Americans now live paycheck to paycheck.

A generation ago, a typical family had about 5 percent of its annual income pledged to non-mortgage bills, such as personal loans, credit cards or car payments.

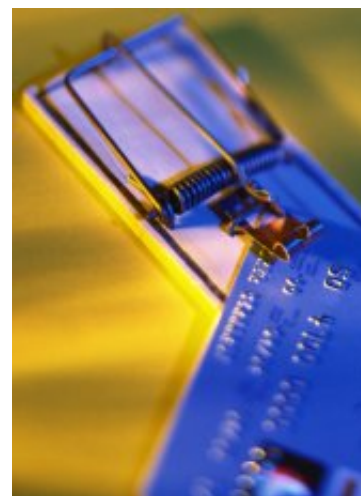
Today, it is about 35 percent.

This year, more children will live through their parents' bankruptcy than their parents' divorce. From September 2003 to September 2004, 1.6 million families filed for bankruptcy protection.

That is roughly double the number that filed for bankruptcy in 1994 and five times higher than 1984. Nearly half of families with credit cards say they can make only the minimum monthly payments on outstanding balances.

### ***How is your credit card debt?***

In their book, "*The Two Income Trap: Why Middle Class Mothers and Fathers are Going Broke*", Elizabeth and Amelia Warren found that "In the 1970s, families saved 11 percent of their annual income and carried credit card debt equal to about 3 percent of income. Today, families put away 1.4 percent of their income, and carry credit card debt equal to about 13 percent of their income."



Does it seem that your income just doesn't stretch far enough?

Are your credit card balances growing larger and larger? If your family is typical, your credit card balances are getting bigger and bigger.

---

*"Money is better than poverty, if only for financial reasons."*

**-Woody Allen**

---



According to a recent Associated Press-Ipsos poll, almost one in five people with credit cards say they have charge balances of \$5,000 or more. That group includes 10% of those responding to the poll that say they have credit card balances of \$10,000 or more. Another 1 in 10 say they aren't sure how much they owe.

I hope that isn't you.

About one in six of those with cards, or 16 percent, say they don't trust themselves - at least to some extent - to handle their credit card debts. Young adults and those who make less than \$25,000 a year were most likely to voice these doubts.

About one-third of those with credit cards say they have three or more credit cards, either personally or with a spouse or partner. That includes 10% who say they have more than five credit cards."

Credit card debt is a real killer because it means that, in effect, you're borrowing from future earnings just to live today.

### ***Are you one of the lucky Americans?***

How about the cost of car and health insurance? If you're one of those families where your employer pays for all or most of the cost of your health insurance, consider yourself very fortunate.

There are 55 million Americans out there who have no health insurance at all, let alone insurance provided totally, or in part, by their employer.



Your auto expenses are also probably getting bigger. Who would have ever thought we would have to pay as much as \$3.00 a gallon for gas?

Here's what this translates into:

If you put just 12,000 miles a year on your car and it averages 20 miles to the gallon, an increase in the price of gasoline from \$1.80 to \$2.00 will cost you at least an extra \$600.00.

And, that's for just one year.

The cost of car insurance keeps rising and so does the cost of car repairs. All these

car expenses can be tough on the family, especially if one or more of you has a long commute to work.

Things get worse when it is time to buy a new car. A compact car today can easily cost \$12,000 to \$15,000. If your family needs a mini-van or S.U.V., figure on spending \$18,000 or more.

Plus, of course, there are all the finance charges, taxes, license fees and increased insurance costs.

### **8 Ways this Book can Help You Live Better**

No matter how bad things feel and how stressed out you feel, take heart. You can slash your living costs, reduce your credit card debt and quit worrying yourself to death.

You should even be able to start a savings or investment account.

It's not easy, but we will teach you how to:

- \$** Forget the myth of fixed costs
- \$** Stretch your paycheck
- \$** Dramatically lower your grocery bill
- \$** Fight rising energy costs
- \$** Slash credit card debt
- \$** Lower your cable bill
- \$** Shrink your telephone costs
- \$** Cut the cost of auto and life insurance



And, I'll help you also reduce other budget-busting costs such as entertainment, auto maintenance, school supplies and vacations.

***How would you feel if you were really in charge of your finances?***

Creating and sticking to a budget takes self-discipline and some extra work.

But, think how you'll feel in just six or twelve months from now when:

- ✓ You are in charge of expenses instead of your expenses being in charge of you
- ✓ You have reduced or eliminated your credit card debt
- ✓ You have started building for your future with a savings plan ... and
- ✓ You are actually sleeping well at night.

## Getting Started

Do you really know how much you currently spend on household costs like groceries?

This depends a great deal, of course, on where you live. Groceries cost less in, say, Nebraska than New York. On the other hand, salaries are generally higher in New York than Nebraska.

Other factors include family size and the makeup of the family.

Families with four teenage boys might be lucky to get by on \$800 a month. On the other hand, the average American family of four spends at least \$600 a month at the grocery store.

Notice that we said grocery store and not groceries. That's because a lot of our grocery store expenses now go to non-food items like detergent, dishwashing liquid or maybe even pet food.

But we'll get more into that later.

## How to Get Started

Here's where we want you to start. Turn the page, and start by filling in the left column of this list with your best guesses as to how much you spend on each of these categories (no peeking at check books or reviewing current or old bills).

Item	Your Best Guess	Actual
Mortgage payment		
Auto loan payment(s)		
Auto insurance		
Other auto expenses; gas, maintenance, etc.		
Groceries		
Utilities; gas, water, sewer, electricity		
Telephone (including cell phones)		
Loan payments		
Life insurance		
Health insurance		
Entertainment		
Cable or satellite TV		
Dining out		
Clothing		
Savings		
Credit card payments		
Internet (if separate from telephone)		
Home repair/maintenance		
Subscriptions		
Gifts		
Miscellaneous; kids' allowances, cost of commuting, church tithes, etc.		
Totals		

Next, get out the checkbook, the calculator, credit card statement(s) and any other pertinent paperwork that will help you fill in the column titled "Actual".

Fill in this column to the best of your ability with the true numbers.

Then, just add up each of the two columns and compare them.

Are you shocked at the results?

Most Americans are surprised (even very shocked in some cases) at the result of this exercise.

Many readers will find that you are actually spending 20 percent, 30 percent or even 50 percent more than you thought.

---

*Money isn't everything: usually it isn't even enough."*

**-Anonymous**

---

### **Here are Your Test Results**

If the column titled "Actual" is no more than 10% higher than the "Your Best Guess" column, give yourself an **A**.

If the column titled "Actual" is 11% to 15% higher than the "Your Best Guess" column, give yourself a **B**.

If the column titled "Actual" is 16% to 20% higher than the "Your Best Guess" column, give yourself a **C**.

If the column titled "Actual" is more than 20% higher than the "Your Best Guess" column, give yourself a **C-**.

How did you do? If you got an A or a B, give yourself a pat on the back. You've done better than most Americans.

Next, look at the total in the "Actual" column and compare that to your combined net income.

Do you see a problem?

Is the total in the "Actual" column larger than your net income?

If it's smaller than your net income, what are you doing with the excess?

Is it going into a savings or investment plan?

Or, are those excess dollars just sort of slipping away each month?

Finally, would it make your life easier if you could increase your income in addition to cutting costs?

There's a website I recommend titled *How to Make Money on Ebay*. [Just follow this link](#) to get more information



## 2. The Myth of Fixed Costs

Budgetary experts used to talk in terms of fixed compared to flexible expenses.

For example, your monthly mortgage payment and life insurance payment were thought to be fixed costs. On the other hand, categories such as utilities, entertainment and auto expenses were considered to be flexible; they could be easily reduced to help cut household expenses.

Today, we see that there really is no such thing as a fixed cost (with the possible exception of rent – more on that later).

Instead, any expense (and we mean any) can be considered to be flexible. This means it can be cut!

### Mortgage, Mortgage - What Kind of Mortgage Fits You Best?

Look at your monthly mortgage.

There are many different kinds of mortgages available, including;

- \$ Conventional 30-year mortgage at a fixed interest rate
- \$ 15-year mortgage at a fixed interest rate
- \$ 3 year Adjustable Rate Mortgage or ARM
- \$ 5 year Adjustable Rate Mortgage or ARM
- \$ 3 year Adjustable Rate Mortgage or AR
- \$ Interest only loan

Go to [bankrate.com](http://bankrate.com) to learn more about these mortgages.

If you have a conventional, 30 year, fixed-interest-rate mortgage, or if you haven't checked mortgage rates for the past year, it could pay you big-time to look into an ARM or interest only mortgage. How about putting an extra \$200 to \$300 a month in your pocket?

**Note:** Unless you have a good credit score, (especially for a home mortgage) credit has become difficult to obtain since the financial crisis hit America.

Be sure to read **Appendix C** for more information about credit scoring.

---

*"Tis money that begets money."*

**- Old English Proverb**

---

How much of a difference can an ARM make compared to a conventional 30-year loan?

Here are some typical numbers for a \$200,000 mortgage:

Type of Mortgage	Interest Rate
30 Year Fixed	5.25%
5 Year ARM	5.25%
10/1 ARM	6.25%

**Note:** Rates calculated for Denver, Colorado, effective 2-06-2009

Keep in mind that these numbers are just for the first 5 years of the ARM. The payments will go up after then. These payments do not include taxes or insurance.

What this suggests is that ARM's are best for families who do not expect to stay in the same house for more than three or five years. They are also good for families who are willing to gamble that they will be able to find another ARM at the same or better rate before the three or five years are up.

***Where to get information on mortgage rates***

Mortgage rates can vary all over the board and they can be very confusing. As of this writing, lenders in our area were offering rates varying from 5.6% for a 5/1 ARM to a fixed 6.0% (or higher) for 30 years.

Here are several links to mortgage sites where you can get good information on the various alternatives.

[Countrywide.com](http://Countrywide.com)

[Lending Tree](http://Lending Tree)

[Cendant Mortgage](http://Cendant Mortgage)

Once you have checked out some of the various mortgage alternatives, here are a few sites with calculators you can use to estimate and compare monthly payments.

[Mortgages.interest.com](http://Mortgages.interest.com)

<http://realestate.yahoo.com/calculators/payment.html>

## [Mortgage 101](#)

**TIP:** These calculators are best for 15 and 30-year loans.

ARM monthly payments often cannot be calculated with a standard calculator. This is because ARMs are for short periods of time, but amortize over 30 years. If you use a standard calculator and put in a mortgage amount of, say, \$200,000 and a term of five years, you will get a result that's liable to knock your socks off.

### ***Where to find an ARM calculator***

If you are contemplating an ARM, you need to use an ARM calculator such as the one at [Mortgage 101](#).

Another important variable is the mortgage closing costs. Some mortgage brokers offer "no closing cost" mortgages, which would be your best bet, assuming they are charging a reasonable interest rate.

Beware of mortgages that require you to pay "points." A point is one percent of the amount of the mortgage. So, one point on a \$200,000 mortgage is \$2,000 and two points is \$4,000. Add a single point to the other costs normally associated with a \$200,000 mortgage (appraisal fee, title insurance, etc.) and the closing cost quickly becomes \$4,000 or more.

**Note:** Sometimes, if you negotiate hard enough, you can get the seller to absorb your closing costs.

As you may know, there are two different kinds of mortgage lenders. The first is a direct lender. This means the company is lending you either its own money or money from a government source such as Fannie Mae.

The other type of lender is a mortgage broker. Brokers are just that. They broker money provided by the actual lenders.

In some cases, mortgage brokers have more flexibility, as they generally will represent a number of different lenders. This gives them the flexibility to offer you some different alternatives.

The downside is that it's not their money. This means that some other faceless person, probably in some other part of the country, will have the final say-so on your loan.

### **Learn from our bad experience**

We had an experience several years ago that illustrates this problem only too well.

We provided our broker with all the necessary records, and had been "approved" weeks in advance. We scheduled our closing for 11:00 AM on the day we were moving.

In fact, we literally had most of our possessions on the moving van when we arrived for the closing. Imagine our surprise when our mortgage broker told us that the company providing the funds would not release them as it needed even more information from us.

To make a long and ugly story short, we rescheduled the closing to 4:00 PM, and spent the time between 11:00 and 4:00 PM rushing around looking for the required documents.

We closed successfully at 4:00 PM, but had to delay our move into the new home until the next day. We were both scared and frustrated.

On the other hand, a direct lender may not be able to offer as many alternatives but will often charge lower closing costs. Also, a direct lender can usually give more definite answers and a more concrete commitment.

---

*"Money trials are not the hardest, and  
somehow or other, they are always overcome."*

**- Amelia E. Barr**

---

### **Direct Lender Compared to Broker**

If you have any doubt, ask the mortgage provider whether it's a direct lender or a broker. If the company is a broker, make sure you really check it out.

Some brokers offer attractive interest rates, but then have out-of-this world closing costs. Others offer mortgages even to those with bad credit, but charge really high interest rates.

Your direct lender or broker should provide you, well in advance, with a list of estimated closing costs. Go over these carefully and ask questions about any charge you don't understand. Make your own comparison.

For comparison, be sure you talk to a direct lender such as [Bank of America](#) or [Wells Fargo](#).

Ask one of their mortgage bankers about the bank's closing costs. This should give you a good yardstick by which you can measure a broker's closing costs.

Most mortgage companies will generally allow you to add the closing costs to your mortgage (a \$200,000 with \$4,000 in closing costs becomes a \$204,000 mortgage). This may make sense with a 30 or 15-year mortgage but be careful as it could have a very negative effect on an ARM.

---

*Money is like a sixth sense, without which you cannot make a complete use of the other five."*

**- W. Somerset Maugham**

---

Are there other costs you think of as fixed?

How about life insurance? Auto insurance? Your car payment? The utilities?

None of these are fixed costs.

They all can be slashed as you will see in coming chapters.

### 3: Slice and Dice those Food Costs

Would you be surprised to learn that the cost of food has actually decreased 22% since the 1970s? It's true.

The problem is that most families are no longer buying just food, which we define as meat, poultry, milk, fruits, vegetables, eggs, cereal and those other basic items.

So, what makes your grocery bill so much higher than it was 30 years ago? It's all the convenience and non-food items you buy each week. By convenience items we mean all those things that are so quick and easy; fruit roll-ups, frozen meals, ready to eat meals from the refrigerator case, pizzas, snack packs, packaged salads and so forth.

If you have the register tape from your last grocery shopping, get it out and put a check mark next to all those convenience items and non-food items such as detergents, hair care products and so forth.

Now, add up the cost of those items.

Most people are surprised by their results.

Next, go back to the right-hand column of costs you created in Chapter 1. Set a goal, such as reducing your grocery costs by 10%. The average family of four spends at least \$600 a month on groceries.

Reduce this by 10% and you've saved \$60.00 or more than \$700 a year.

Reduce it by 20% and you're almost \$1500 ahead.

#### How to reduce your grocery costs by 10% or more

**Step 1:** Start with coupons and specials. First, check your local newspaper for in-store specials. Look, especially, for specials on main dish items like chicken, pork and beef.

Then, put together a menu list for the week built around those specials. Also, look for helpful specials on produce, fruits and canned goods.

Next, start watching the newspaper for money-saving coupons for food and non-food items. Some families make a game of this with a prize to whoever finds the most valuable coupons.



Look carefully and you may find coupons worth as much as a dollar off.

Don't forget that some stores offer double-coupon days or weeks.

If you do not subscribe to a newspaper consider signing up, as it might be a very good investment. If possible, subscribe to just the weekday editions as the food supplement is generally in the Wednesday newspaper.

---

*"Money is no value; it cannot spend itself.*

*All depends on the skill of the spender."*

**- Ralph Waldo Emerson**

---

### ***Where to find those money-saving coupons online***

If your city's newspaper does not have a food supplement or coupons, you can go online and find some great coupons.

Two Internet sites we recommend are:

[Value Page](#)

[Smart Source](#)

Both these sites require you to sign up, but let you search for coupons and specials based on your zip code.

**Step 2:** Make a list. People who shop without a list almost always end up buying impulse items which can run up grocery costs dramatically. Start by making a menu list for the week built around the coupons or specials you've found in step #1. Then, make your list tailored to this menu.

If you have a Wal-Mart, Super K-Mart, Target or comparable store in your area, buy food items only at the grocery store and go to the discount store for all the non-food items.

Do not, and we mean do not buy convenience items. If you must buy convenience items, try to make it those for which you have coupons or where the store is running a special. Cook from scratch as much as possible.

There are lots and lots of meals that can be made in 30 minutes or less, such as a hamburger casserole. If you're not totally rushed for time in the morning, put a one-dish meal such as a stew or pot roast in the crock-pot and, presto! There'll be a nice, inexpensive, home-cooked meal waiting for you when you get home.

If you eat organic or are on a high-protein diet, purchase items like meat and

chicken when they're on special or you have coupons. Then freeze them.

You can also buy cheese and bacon on sale and freeze these items.

For more ideas on money-saving meals, get Tawra Kellam's *Not Just Beans: 50 Years of Frugal Family Favorites*. It's available on [Amazon. Com](http://Amazon.Com) and at [NotJustBeans.com](http://NotJustBeans.com)

You might also be able to find the book at a local used-book store or at your closest thrift store.

## **Tried and true ways to save money on groceries**

### ***Watch your Attitude***

Many experts will tell you that the number one mistake people make when shopping is their attitude.

---

*"Having money is just the best thing in the world."*

**- Madonna (Madonna Louise Ciccone)**

---

Never shop before breakfast, lunch or dinner when you're at your hungriest. You always buy more when you're hungry. Avoid shopping when you're tired or angry as the experts say you're more likely to reach for those expensive snack foods and other such goodies.

"When you're tired, you try to get more energy through food," says one expert. You're more likely to grab the wrong choices: more sweets, more high-carbohydrates.

If you're angry, it becomes easier to go for junk food. So don't go shopping if you just had a fight or a bad experience with your boss.

Because grocery shopping is something you do over and over, it's fairly easy to plan. Many people are working one or two days a month just to pay for items that they don't really need.

Your family probably likes to eat the same meals with the same ingredients over and over. Make a list of your 10 favorite meals and then stock up on the food you need for them. This leads to the next tip.

### ***Get a notebook***

Devote one page for each item your family buys regularly. Write down what you usually pay. If you see an especially good price, make a note of where and what it is. That way, you'll know when a store sale or special is just advertising and when it's a



really good buy.

When you find one of your needed items at a real bargain price, stock up on it. When you buy these items at markdown prices, you can easily save 15% to 20% on your groceries.

### ***Read the fine print in all store ads and on your coupons***

"Buy One, Get One Free" can mean different things at different stores. At some stores, it means that items ring up at half-price. This means you can double your savings by using a coupon on each one.

However, there are other stores that make one of the two items at full price and give you the other free so you can use only one coupon.

### ***Know when to use a list***

For staples, stick to what you'd already planned to buy before you walked in the store. "The only time to go off list is if you can combine savings factors (store sales, double coupons, etc.) and get a good buy," says Ellie Kay, author of *Shop, Save, and Share*.

### ***Know when not to use a list***

When it comes to produce, take the farmer's market approach: Buy what's fresh, inexpensive and in season. Then, adapt your menus accordingly. That way, you get good buys and your family gets the freshest food.

### ***Grocery stores are for groceries***

"Avoid purchasing non-grocery items at a grocery store," says Jyl Steinback, author of *Supermarket Gourmet*, which advises consumers to weigh convenience against cost when they pick up supplies like painkillers, contact lens solution, mouthwash or toothpaste at the grocery store.

"I know it's convenient," she says. "But, you double your cost."

### ***Take a rain check***

Get a rain-check if your store has run out of an item you use which they're offering a great price on.

### ***Know the system***

When does your store mark down goods that expire, like meat or bread? "You can get significant markdowns on meats if you buy things that are about to expire that

day," says Gary Foreman, publisher of *The Dollar Stretcher*. "Then, use them that night or freeze them", he says.

Your store might also have a small section where they discount products that aren't as popular as the manufacturer had hoped. "This area can be a gold mine for bargain hunters," Foreman says.

### ***Realize that more isn't always cheaper***

"It's not uncommon for people to say they found things in lots of 24 where the unit price was higher than if they bought one of the items," says Foreman. "The days that you could take one big package and know you were saving money are over." His credo: "Unless you're better at math than most people, shop with a calculator."

### ***Does your store honor competitors' prices?***

Request price matching. Do you want to get the best prices on everything without driving all over town? "Find a store in your area that will honor all competitors' ads," says Ellie Kay. You'll save money, time and gas.

This is also a good way to get bargains on things like meat or vegetables, where coupons are rarely an option.

### ***Look for double coupons***

"In most places, what you will find is that a coupon will let you buy the nationally advertised brand at the same price as the generic or house brand," says Foreman. "Instead, if you favor coupons, look for stores that offer double coupons, which can be a real saver," he says.

---

*Education costs money, but then so does ignorance."*

***- Sir Moser Claus***

---

### ***Weigh before you pay***

"All 10-pound bags of potatoes are not created equal," says Ellie Kay. "There could be a pound's difference." Weigh the pre-packed bags, and get the most for your money.

### ***Make sure those bargains really are bargains***

Beware of "discount store syndrome." Just because you're in a bargain store, doesn't mean you're getting the best price on every item. "You have to consider whether it's a good bargain or not, and not mindlessly buy because it's a thrift store," says Ellie Kay.

Her example: A warehouse club sells paper towels for 89 cents a roll that you normally see in your grocery store for 99 cents. Good buy? Not necessarily. If you have a 40-cents-off coupon that the grocery store will double, the grocery store cost is 19 cents. So, do your homework before you shop.

***Realize that sometimes the best bargain isn't the lowest price***

There are times when you want to spend a little more on things that are important to you, (for example, a good quality ground chuck with a little less fat or a loaf of really good whole-grain bread). "Saving is great, but beware of buys that could be 'penny-wise and pound-foolish,'" says Foreman.

***Make sure mistakes don't happen***

Check your receipts. No matter how careful you or the store staff might be, mistakes happen. "I can't say it's widespread, but I do get reports of people saying they check grocery bills and very often they find mistakes," says Foreman. "And, four to one, they are in favor of the store."

***Put your savings to work***



Whether it's a trip, a car or a savings account, have some specific goals for the money you're not spending on food. Says Ellie Kay, "What good does it do to save all this money in the grocery store if you don't have a plan (for) what to do with that money?"

## **Chapter 4: Cut Your Energy Bill**

Given the cost of natural gas and heating oil today, your energy bill can be one of your single largest expenses.

That's the bad news. The good news is that there are things that are not very expensive which you can do to drive down that cost.

### ***Quick, easy things you can do to reduce that bill***

If you have a fireplace, be sure to keep the damper closed. You can lose up to five percent of your heat if your damper is open when the fireplace is not in use.

Keep your furnace filter clean. Replace it at least once a month during heating season. This alone can cut your heating costs by as much as five percent.

Be sure to keep inside doors open to improve heat circulation. This will help the efficiency of your heating system.

Lower the setting on your thermostat. If you can reduce your daytime indoor thermostat temperature from 72 to 68 degrees, you should save about five percent of your heating cost during the winter season.

If your hot water pipes and water heater are warm to the touch, insulate them. This will reduce heat loss and water heating costs.

Every minute you cut from your shower saves three gallons of water and the energy required to heat it.

Install compact fluorescent (CFL) bulbs. Over the life of just one of these bulbs, you'll save about \$15. Use just a handful of these around your home and you could notice a difference in your energy bill.

Motion detectors put light where you want it, when you want it, for brief periods of time. They provide safety and security for you and your property, but require much less energy since they are on only when you need them.

Be sure to check for cold air leaks at doors and windows. If you have a question as to whether or not they are leaking cold air, light a match and hold it at the bottom of the window or door. You should be able to see very quickly if there is a draft.

### **The Cheapest Answer**

The easiest and cheapest fix is to apply weather stripping around any doors that are leaking air, and caulk around all your windows. Weather stripping can be

purchased from just about any hardware store, as well as stores like Home Depot and Lowe's. If you need help installing weather stripping or applying caulk, [click on this link](#).

You will also find useful information on weatherproofing your home at [Ace Hardware](#)

You'll only need a few basic tools to weatherproof your home: a caulk gun, tin snips, a utility knife, hammer, nails, scissors and a tape measure. Weather stripping itself is very inexpensive; a 12' roll of foam tape generally costs less than \$4.00. Caulk is also cheap. A tube of white acrylic caulk usually costs less than \$2.00.

---

*"Americans want action for their money. They are fascinated by its self-reproducing qualities if put to work."*

**- Paula Nelson**

---

### ***Inexpensive storm windows***

If your home has no storm windows, think about installing clear, plastic indoor windows. As I'm writing this, Ace Hardware, for example, has 3M Indoor Insulator Window Kits for less than \$14.00. The kit includes 84" x 112" film, and 1/2" x 500" tape. Each kit will insulate a 6' X 9' door or window area and increase the R-value by 90% over a single pane window.

It's easy to apply, too. You just tape the film in place and then shrink it down with a hair dryer. The film is as clear as glass and shrinks into place without wrinkles.

### ***A great \$60 investment***

Another good idea is to invest in a programmable thermostat. A good one can be purchased from Home Depot, Lowe's or Ace Hardware for \$60 or less. It's easy to install and can easily pay for itself in a couple of months.

For more information on a programmable thermostat, click on [Lowes](#).

A programmable thermostat lets you automatically lower the temperature when you're not home or when you are sleeping. For example, you could set the thermostat for 62 degrees at night, and then have the thermostat set to bring the temperature back to 70 degrees in the morning just before you get up.

You could also have your programmable thermostat set to lower the temperature to 62 degrees when you are at work, then bring it back up to 68 or 70 degrees just before you get home. You'll save money but never really feel like you're sacrificing anything.

### ***Do new windows make sense?***

The most expensive way to slash energy bills is by adding storm windows, new, more efficient windows and/or storm doors. If this idea interests you, be sure to get at least three bids from reputable companies.

You can contact your local Better Business Bureau for information on any company you're considering. Another good idea is to ask each company for at least three references. Call the names you are given to make sure the company did the work as promised at the estimated price.

You should also ask questions about their level of craftsmanship, how long it took them to complete the job, did they always show up on time, did they clean up at the end of each day, and so forth.

The cost of windows will depend on where you live, the quality (or R factor) of the window and the time of year. But, figure on spending \$115 to \$175 for each normal-sized window, plus installation.

A normal-sized storm door will cost anywhere from \$90 to \$300. But, figure on spending at least \$160 to \$200 for a good, quality door.

### ***Do your own cost analysis***

Be sure you do a cost analysis before investing in new windows. Window manufacturers talk a lot about energy saving but you have to weigh the potential savings against the upfront cost.

Suppose, for example, you are thinking about replacing 10 windows at a cost of \$150 per window installed; a total of \$1500. Next, try to estimate how much these windows will save you on your heating bill each month.

If your monthly bill is \$120 and those new windows will cut costs by 20%, your potential monthly savings is about \$24. Divide the \$1500 by this \$24 and it will take about 62 winter months before you start to actually save money. If there are about five months of winter heating where you live, it will take almost 13 years before you get a payback on your window investment and actually start saving money.

Of course, there are a number of variables here, but you can use this formula to figure out whether or not new windows make sense.

Cost of windows divided by estimated savings per month = number of months to

payout divided by number of heating/cooling months = years to recapture the initial investment.

### **Free Information from Your Government**

For more tips on home energy saving, the government has an [excellent web site on energy saving](#). You can also go directly to [this page](#) to access a guide on energy saving products for the home.

Another good source for information on home energy saving is [The Home Energy Saver](#).

This web site, which is also government sponsored, has a feature called "Ask the Expert," as well as "No Cost/Low Cost Tips," "No Regrets Remodeling," information on local resources and a lot of other useful stuff.

## Chapter 5: Stomp Your Phone Bill

How much do you pay each month for your regular phone service, long distance phone service and, if you're typical, cellular service?

Add it all up and we'd be surprised if you're not spending \$80 to \$100.

Let's start with the goal of reducing this cost by at least 20%. This would save you somewhere between \$16 and \$20 a month or better than \$200 a year.

First, get out your most recent phone bill. If you did not keep your most recent bill, you can always call your phone company and ask for an itemized breakdown of the bill.

Check to see what you're paying for. You can't do much about all those taxes, but what services are you paying for and how much do you use them?

### Fewer features could mean nice savings

If you are paying for features like conference calling, anonymous call rejection, call waiting, call forwarding, Caller ID blocking, call transfer and continuous redial, you might be able to reduce costs by eliminating some or all of these features.

Does your local phone company offer packages of features? You might be able to get all or some of the features you really need as part of a package for less than you pay for them individually.

Are there other phone service providers in your area? Sprint and MCI offer local phone service in some areas and usually have packages priced less than what you'd pay one of the old, conventional Bell companies such as Qwest (formerly US West), Verizon or AT&T.

---

*You can be young without money  
but you can't be old without it."*

**- Tennessee Williams**

---

If you really want to slash those costs, drop all those extra features and just get a basic package. In our area, a basic phone service (one line) costs less than \$22 a month (plus, of course, all those pesky taxes and fees).

### Drop that landline?

If you are already paying for cellular service, consider dropping your conventional landline service entirely. Most of the cellular service providers offer family-oriented



packages with 1,000 or more minutes a month for as little as \$49.95 a month.

Most cellular companies will give you additional phones free (or for a very low price) and will let you then add family members for as little as \$6 a month.

Suppose you're now paying \$34 for your local service and \$39.95 a month per cell phone for two cell phones; a total of \$113.90 a month. Drop the landline, switch to a family plan at \$49.95 a month, plus \$12 for two additional phones and presto! You've just cut your phone costs by nearly \$52 or a whopping 54%.

If this doesn't make sense for your family, at least make sure you review your current cellular calling plan or plans. Many people pay for more minutes than they actually use.

### ***Minutes, minutes, are you really using all those minutes?***

Think about a 1,000-minute plan. Do you really use that cellular phone 33 minutes a day, seven days a week? If that 1,000 minute plan includes free weekends and evenings this means you're paying for only those calls you make during the day, five days a week or maybe 22 days a month.

Are you really using that phone 45 minutes a day, every day? Consider a different calling plan with fewer minutes. If you're really into saving money, maybe you or your kids can go on a pay-as-you-go-plan.

I use a cellular phone so seldom, I buy my minutes thirty at a time and I usually have minutes left which I can roll over at the end of the month.

If you haven't done this already, look into a family plan that has a minimum number of minutes, but where family members can call one another at no charge.

Since a great proportion of the calls made by family members are to other family members, this alone could cut your cellular bill by \$20 or \$30 a month.

How about long distance? What are you currently paying per minute?

If you've shopped carefully, you should be paying no more than 5 cents a minute. If you're paying more than this, you need to shop around.

You can almost definitely save money on long distance by using a 10-10 phone service, especially on international and intrastate calls.

A 10-10 number works by routing your call around your existing carrier. You simply dial 10-10 (some companies are now using 10-15 or 10-16) and then usually a

three-digit number followed by the phone number. That coding "dials around" your existing long-distance carrier to give you cheaper rates. Using the 10-10 system does not affect your existing carrier and you are billed by the 10-10 company, or you can have the charges applied to a credit card.

However, "you can get burned in several key areas if you do not fully investigate beforehand," says Rich Sayers, editor and founder of [10-10 Phone Rates](#), an independent rate-comparison site.

### ***Have you thought about phone cards?***

For some families, especially those that call internationally, phone cards can help save money.

There are two good things about phone cards.

First, if you shop carefully, you can find cards where you pay less for long distance minutes than even some dial-around 10-10 lines.

Second, because you pay for your minutes in advance, you know exactly how much money you have spent that month, which helps with budgeting.

### ***Dial a few extra numbers and save big!***

The 10-10 services, also known as dial-around plans, can generate big savings. They are simple to use, with no need for a calling card or advance payment.

"If you make a lot of international calls or in-state long distance calls, then dial-around plans make sense," says consumer advocate Nancy Castleman, founder of Good Advice Press.

Nevertheless, she says, "If you are in the habit of phoning one, or even a few countries on a regular basis, you should consider signing up for more than one plan. That way, you ensure that you are always getting the best deal possible, depending on your needs."

Paul Richard, executive director of the Institute for Consumer Financial Education, agrees 10-10 plans can mean big savings but cautions, "While a 10-10 plan may look great when you see it advertised on television, you have no guarantee you are getting the best deal until you've researched that company's tolls and pricing policies. Get real answers."

For help comparing the rates and fees of many dial-around plans, [visit this website](#)

Bill Burt, a freelance writer headquartered in Florida writes, "Consumers and businesses should not call a 10-10 number unless their rates are known up-front," Richard adds, noting the company operating the 10-10-297 service advertised long distance rates of 3 cents a minute, while barely mentioning in their ads that a 39 cent connection fee applied to all calls.

"It wasn't the first time a dial-around service surprised its customers," says Sayers, who shares several recent examples:

The popular 10-10-220 service operated by MCI's TelecomUSA division recently upped its heavily advertised 99-cent offer to \$1.74 per 20-minute call, a 75 percent increase, without giving users prior warning.

AT&T's 10-10-345 service recently increased its connection fees for most international calls from 30 cents to as much as 99 cents. Again, users were not notified unless they subscribed to an e-mail alert.

WorldxChange, a discount operation, surprised customers not long ago with an unannounced \$2.50 low-usage fee which affected 10-10-629, 101-5335 and 101-6789 users who make less than \$3 worth of calls in any given month.

Customers who opt for online billing rather than a paper bill are excluded from the fee.

### ***Tricks and Traps***

While the dial-around plans can produce significant savings, Richard says, the smart consumer should always be on the lookout for potential problems:

Be alert to rate changes for your plan. Some dial-around plans will advertise a new rate but continue billing existing customers the previous rate. You should update yourself frequently on the plan you're using or simply call and ask for lower rates.

Don't automatically go by rates published online; many are not updated regularly and carry incorrect information. Double-check with the carrier's toll-free customer-service line.

Always know in advance where your 10-10 plan will and won't work. For example, you may not be able to make some 10-10 calls from hotels or pay phones.

While it's usually OK to use a number advertised on TV, it's very risky to use one if it hasn't advertised a discounted rate plan. If you dial a company's 10-10-XXX number without knowing the rates, or without signing up for a plan in advance, then you

could be hit with astronomical charges under what some carriers call their "casual user rate."

### **Some Simple Questions**

Consumer expert Castleman suggests you always ask yourself these questions before signing up for a 10-10 plan:

How would you use this service?

Do you call in state, out of state or out of the country?

How many minutes do you generally use per call?

Do you often not reach your party or connect with an answering machine? Take your typical usage pattern and apply it to various plans to see what would work best for you.

What's the per-call rate, if any? A per-call charge, for example, can make dial-arounds expensive if you don't reach the party you're calling or if you continually reach an answering machine.

#### ***Be sure to check billing increments***

Some companies offer 6-second billing increments while others bill in increments of 3 minutes. Under the first plan, a call lasting 4 minutes and 30 seconds would be billed for exactly that amount of time while the latter would be billed for 6 full minutes.

What's the best per-minute rate? Find out if you're looking at the best rate the company offers. It may not be.

What about in-state long-distance dialing? Keep close tabs on these calls. Some plans charge more while some plans don't cover these at all.

Are there other hidden costs? Always check, for example, to see if there's a monthly fee.

Watch out for phone bill cramming.

Are you really adventurous?

There's also a new technology called VoIP, or Voice-Over-Internet-Protocol, that could save you money.

Now available from more than a dozen different providers, VoIP requires a computer,

a high-speed Internet connection (DSL or cable), a special adapter and an ordinary or special telephone.

The way it works is that the computer and the adapter converts voice signals into digital packets. These packets are then transported like data over the public Internet or a private fiber-optic line. The digital data carries a destination address that conforms to a set of operating rules called an Internet protocol. This protocol enables the voice bits to be reassembled correctly at the other end and converted back into voice signals.

The advantage of VoIP is cost. VoIP is cheaper than conventional phone lines because, for the most part, it bypasses the public switched telephone network. . Plus, VOIP connections are not subject to all the taxes and surcharges of landlines. It also appears that VoIP will not be saddled with the regulatory costs faced by traditional phone service providers.

Here’s an example of what these costs can do to your phone bill. A Basic phone service where we live costs just under \$20 a month. However, by the time all the various taxes and surcharges are added, that \$20 nearly doubles to \$34.90.

**Note:** I have one VoIP line via Comcast and it has always worked without a flaw.

VoIP rates, as of this writing, where we live are shown below. The rates shown here include unlimited local and domestic long distance. Of course, they will vary, depending on where you live, and some of these providers may not be available in your area.

<b>AT&amp;T CallVantage</b>	\$29.99
<b>Net2Phone</b>	\$29.99
<b>BroadVoice</b>	\$19.95 including unlimited calls to 21 countries
<b>IconnectHere</b>	\$29.95 with 900 long distance minutes
<b>Primus Telecom (Lingo)</b>	\$19.95 includes calls to Western Europe
<b>SunRocketq</b>	\$34.95 or \$199.00 a year upfront
<b>Voiceglo</b>	\$19.95.

Be sure to consider the fact that these costs do not include the cost of the broadband line necessary for VoIP. So when you add that cost to the cost of VoIP, you may find

you are not actually saving that much.

However, some of these services also include features such as voice mail and caller ID for which your phone company is charging you extra. One of our local providers, Qwest, says that its soon-to-be-introduced VoIP product will even include a Web-based function that will enable customers to log in from any computer to check and manage their telephone calls.

Be aware that all is not perfect with VoIP. Voice quality may not be the same as with a traditional line. Also, since the service is computer dependent, when the power goes out, the phone service also goes out.

Because the VoIP providers are not government-regulated, their terms and conditions can vary greatly. For example, some of these services do not include a 911 capability. Be sure to carefully scrutinize the terms and conditions of any offer you are considering.

## Chapter 6: Chop Your Cable Bill

Take a good, hard look at your cable bill. Are you subscribing to just basic cable? Or are you subscribing to a lot of extra channels or even to premium channels like HBO and Cinemax?

Which channels are you (and your family) actually watching? If you're not sure, start a simple log. Find out which channels you're watching and which you are not watching on a regular basis. You might find there are a lot of channels that just don't interest your family.

Are you paying for several receivers at \$5 a month? Could you get by with fewer receivers? Maybe you aren't really watching cable in the bedroom that much.

Are you watching a lot of programs on those premium channels or mostly movies? If you're watching mostly movies, you might save money by dropping the premium channels and renting more movies.

---

*"The truth is, there is money buried everywhere,  
and you have only to go to work to find it."*

**- Henry David Thoreau**

---

### ***Subscribe to movies instead of premium channels***

You might also look into one of the movie subscription services like [Netflix](#) or those offered by [Wal-Mart](#) or [Blockbuster](#).

Subscribe to one of these services and you can rent an unlimited number of films on DVD for less than \$18.00 a month. There are never any late fees. These services even provide stamped, self-addressed envelopes which you use to return the DVDs after you've viewed them.

Search one of these services and you'll find just about every film ever released on DVD. And you get the movies you want as soon as they are available at the rental services and not months later when they are released to the various premium channels.

### ***Could you save with satellite TV?***

Have you considered switching from cable to Satellite?

Satellite providers such as [DISH Network](#) often cost less for the same or even more channels than cable.

For example, at the time this was written, the DISH Network was offering 50 HD (High Definition) channels for just 19.95 a month for the first six months, plus a Digital Video Recorder (DVR). This unit delivers signals to two televisions in two different rooms. Or you can use it to record one program while watching another. A DVR also lets you pause and rewind live TV and skip commercials. Our experience is that once you have a digital video recorder you'll never want to go back to a conventional set top box

This \$19.95 package includes CNN, CNBC, the Discovery Channel, ESPN, HD Theater, the Food Network, History Channel, Lifetime, the Disney Channel and many, many more channels.

### ***How about DirectTV?***

Again, at the time, Direct TV was offering 45 digital channels for \$29.99 a month including local stations at no extra cost. This package includes channels such as Discovery Kids, Nickelodeon, DIY Network, the Disney Channel, National Geographic Channel, Food Network, PBS, and many more.

Direct TV's version of a digital video recorder is called Tivo. While Tivo costs extra, it not only lets you pause and rewind live TV, it will automatically record an entire season of your favorite programs, even if the shows move to a new day or time. You can also tell Tivo the names of your favorite actors or directors, and it will automatically record their shows for you.



## Chapter 7: 10 Ways to Bust the Cost of Your Auto Insurance

Is your auto insurance one of those things you think of as a fixed expense?

Think again. There are a number of things you can do to reduce those costs.

The Insurance Information Institute suggests the first thing you need to do is shop around. Even though your current insurer might not want you to believe this, different companies do charge different prices.

### *Get at least three price quotes*

You can call companies for quotes or get them directly via the Internet. Another good idea is to call your state insurance department, as it may be able to provide comparisons of prices charged by the major insurers.

Be sure to pick an insurance company that is financially stable. You can check the finances of insurance companies by accessing insurance rating companies such as [A.M. Best](#) and [Standard & Poor's](#).



And, don't forget to consult consumer magazines for information on the various insurers.

Also, get price quotes from different kinds of companies. Some companies sell through their own agents while some sell through independent agents who usually offer policies from several different companies.

Other insurers have no agents and sell direct to the consumer via the phone or Internet.

Don't choose insurance on price alone.

If possible, ask friends and relatives for their recommendations.

You can contact your state insurance department as it may provide information on consumer complaints about a company.

Try to pick an agent or a company with representatives who will take the time to work with you and answer your questions.

### ***Check insurance costs before you buy your next car***

Did you know that car insurance premiums are based on the car's cost, the cost to repair it, its overall safety record and the likelihood of it being stolen?

You can often get a discount from insurers if the car you're buying has a great safety record or if it's designed to reduce the risk of theft.

Go to the website of the [Insurance Institute for Highway Safety](#) for information that can help you decide which cars offer the greatest safety and/or the lowest theft risk.

You can also see what you could save with higher deductibles.

Higher deductibles can lower your insurance costs substantially. For example, if you increase your deductible on collision and comprehensive coverage from \$300 to \$500, you could reduce your costs by as much as 15 to 30 percent. Move up to a \$1,000 deductible and you can save 40 percent or more.

If you do move to a higher deductible, be sure to set aside the extra \$200 or so dollars you will need to pay if you have a claim.

### ***Reduce the coverage on older cars***

If you have an older car, consider dropping the collision and/or comprehensive coverage. If your car is worth less than 10 times the premium, purchasing the coverage just may not be worth it.

You can find out how much your car is worth by contacting your bank's auto loan department or just about any car dealership. You can also look it up online at the [Kelley's Blue Book](#) website.

Check the cost of buying your auto insurance and homeowners insurance from the same company.

Most companies that offer both auto and homeowners insurance will give you a discount if you buy both types of insurance from them. You may also qualify for a discount if you insure several vehicles and even your home with the same company. Some companies even lower their rates for long-time customers.

But, you still need to shop around as you might save more money buying from different insurance companies, compared to a multi-policy discount.

### ***Keep a good credit record***

Auto insurance companies are using credit information more and more to price their

policies. Make sure you maintain a good credit history by paying bills on time and by keeping your credit card balances as low as possible.

Also, check your credit record regularly. That way, if errors show up, you can correct them as quickly as possible to keep your record accurate.

---

*"Wearing overalls on weekdays, painting somebody else's house to earn money? You're working class. Wearing overalls at weekends, painting your own house to save money? You're middle class."*

**- Lawrence Sutton**

---

### ***How old is your car and what is its condition?***

You may earn a discount if your automobile is in good condition and contains enhanced security features like alarms, airbags, anti-lock brakes, automatic seat belts, etc.

### ***12 fast and simple formulas to get low-cost car insurance***

There's a web site that offers information on 12 fast and simple formulas you can use to get low cost auto insurance. In fact, according to this site, you can lower your car insurance cost by as much as 67% and without shopping around. It's called [Low Cost Auto Insurance](#).

### ***Can you qualify for a low mileage discount?***

If you drive a low number of miles per year, like 12,000 or fewer, you may qualify for a low mileage discount. You might also qualify for a discount if you car-pool or don't drive to work at all

### ***Check about group insurance***

Check with your employer or with any business or professional or alumni group to which you belong to see if they offer some kind of group insurance plan. If so, this could help lower your costs substantially.

### ***Are you paying for duplicate medical coverage?***

If you have good health insurance, you may be paying for duplicate coverage in your auto policy. In some states, eliminating this coverage could lower your personal injury protection (PIP) cost by up to 40 percent.

### ***Look for other discounts***

Most insurance companies offer discounts to "good drivers," or those who have not

had an accident or a moving violation for a number of years. You may also qualify for a discount if you have taken a defensive driving course.

If you have a young driver in the family, then you know what this does to the cost of your insurance. However, if he or she is a good student or has taken a drivers' education course, you may qualify for a discount.

The same holds true if that youngster is going to college out of state and does not have a car.

Finally, if you are a senior, you can probably earn a discount on your auto insurance by taking the two-day AARP Driver Safety Online Course for older drivers at <http://aarp.org/>.

Turn to Appendix B for a checklist of these and other possible discounts.

## Chapter 8: Lower the Cost of Your Homeowner's Insurance

The [Insurance Information Institute](#) offers a number of good ideas for lowering the cost of your homeowner's insurance. These include:

### *Shop around*

It takes time to shop for insurance but this is probably the number-one way to save money. Use your Yellow Pages or contact your state insurance departments for information that can help you choose an insurer.

Most states provide information on typical rates charged by the state-licensed insurers, and many offer information on the number and frequency of consumer complaints.

Be sure to check consumer guides, many of which are available at your local library.

Also, you can talk with insurance agents and online insurance quote services to get an idea of price ranges and see which company offers the lowest price.

Make sure you consider factors other than price. The insurance company you end up choosing should offer a fair price, but it should also deliver the help you will need when filing a claim.

Talk to a number of insurers to get a feeling for the kind of service they give. Also, be sure to ask what they would recommend you do to lower your premium costs.

You can check the financial health of any company you are considering via services such as [A.M. Best](#) and [Standard & Poors](#)

### *See what you might save with higher deductibles*

A deductible is the amount of money you must pay before your insurance company starts to pay a claim. Your deductible is set by the terms of your policy. The higher the deductible on your homeowner's insurance, the less the insurance will cost you.

For example, if you raise your deductible from \$500 to \$1,000, you might save as much as 25 percent.



If you live in an area that's disaster prone (hurricanes, tornadoes, hail, etc.), your insurance company may have separate deductibles for certain kinds of damage.

For example, we live in an area subject to severe hail damage. There have been so many hail storms in recent years, and it has cost the insurance companies so much money, our insurance company arbitrarily raised our deductible on hail damage to \$1,000 last year.

Make sure you're paying for the cost of rebuilding your home and not what you paid for it.

Don't pay for insurance based on what you paid for your home as this includes the land under it, which is not subject to fire, theft or the other risks covered under your insurance.

Check with your agent to make sure your policy is based on the cost of rebuilding your home. If it's based on your purchase price, this could mean a much higher premium.

You may save money by buying your homeowner's and auto insurance from the same company.

Companies that offer both auto and homeowners coverage will often reduce your homeowner's premium by 5 to 15 percent if you buy two or more policies from them. But, shop around and make sure this combined price is lower than if you were to buy separate policies from different companies.

### ***Can you make your house disaster-resistant?***

Are there steps you can take to make your home more resistant to natural disasters? Your insurance agent can probably help in this area.

For example, you might be able to save money by adding storm shutters, by reinforcing your roof or by adding stronger roofing materials.

Some older homes can be changed to make them better able to withstand earthquakes or tornadoes. In addition, you might be able to modernize your plumbing or electrical systems to reduce the risk of fire or water damage.

### ***Upgrade your home security***

Does your home have smoke detectors in critical areas? How about a burglar alarm and deadbolts? Some insurance companies will discount your premium by as much as

15 to 20 percent if you install a sophisticated sprinkler system and add a fire and burglar alarm that rings at the nearest police station, fire station or other monitoring station.

These systems are not cheap and not every system will earn you a discount. Before you buy a system, check with your insurer to see what types of system it recommends.

Get three or more estimates on the cost of the system and then compare the cost of the system with the money you would save on premiums to make sure the system is really cost-efficient.

### ***Look for other discounts***

All companies do not offer the same types of discounts or the same discounts in all states.

For example, some companies, in some states, offer a discount for people who work at home as they are less likely to be burglarized and more likely to spot a fire sooner.

Retired people may qualify for the same type of discount for the same reason. Plus, retired people have more time for maintaining their homes. People who are at least 55 and retired may qualify for a discount of 10 percent with some companies.

Also, there are employers and professional associations that offer group insurance programs that offer a better deal than you could get on your own.

### ***Keep your credit record clean and up to date***

Insurers today are looking more and more at credit histories (or credit scoring) in pricing homeowners insurance. In most states, your insurance company must advise you of any adverse action they take relative to your policy, for example, in raising the rate.

If this happens, make sure you verify the accuracy of the information the insurer relied on to raise your rate. Pay your bills on time and keep credit card balances as low as possible. Be sure to check your credit history regularly so you can catch any errors and have them corrected as quickly as possible. This way, your credit record will remain accurate.

### ***Don't change insurers***

Staying with the same company for several years may earn you a special discount.

Some companies will reduce premiums by as much as five percent if you remain their policyholder for six years or more. But, again, make sure you periodically compare their costs with that of other insurance companies.

***Don't pay for coverage you don't need.***

Take a look at your policy limits and your possessions at least once a year. Are you paying for extra insurance (often called riders) on items such as jewelry, high-end consumer electronics and valuable artwork? If so, take a look at their worth today compared to their initial cost. You might find you can reduce or eliminate that extra insurance entirely.

***If you are in a government plan, look at private insurance.***

Suppose you live in an area that's high risk, such as one vulnerable to coastal storms. If you have been buying your insurance through a government plan, be sure to check with an insurance agent or company representative or contact your state department of insurance for the names of private insurers that might be interested in offering you insurance.

There might be steps you can take that would allow you to buy insurance at a lower rate from one of these private companies than from the government-sponsored plan.

***Consider the cost of insuring it before you buy a home***

Did you know that your insurance costs less if your home is close to a fire hydrant or when it's in a community with a professional (not volunteer) fire department?

Your insurance may also cost less if your home's electrical, plumbing and heating systems are less than 10 years old.

Brick homes also generally cost less to insure than wood frame homes. However, if your new home is in an area subject to earthquakes, the wood frame home is cheaper to insure as it is more likely to withstand a small earthquake.

You could save as much as 15 percent on the cost of your insurance simply by choosing the right kind of home.

There should be a CLUE (Comprehensive Loss Underwriting Exchange) report on the home you are thinking of buying. Check this report, as it will contain the insurance claim history of the property, which can help you judge some of the house's problems.

Remember, too, that flood and earthquake damage are not covered by your



standard homeowner's insurance. If you buy a home in an area subject to flooding, you will have to buy a flood insurance policy at a cost of around \$400 a year.

You can get useful information on this type of coverage on the website of the [Federal Emergency Management Agency](#).

The cost of earthquake insurance will vary depending on the likelihood of an earthquake happening in your area. In California, the [California Earthquake Authority](#) provides this coverage.

## Chapter 9: Heal Your Health Care Costs?



We made this a question because reducing family health care costs is usually the toughest place to cut.

A recent survey showed that 22 percent of Americans considered health care to be the single most critical issue facing the U.S. today. That is for good reason. Since 2000, health-care costs have nearly doubled, rising at five times the rate of salary increases.

These cost increases have forced many families to make some hard choices.

A study done recently by the Employee Benefit Research Institute (EBRI) found that 25 percent of insured adults had reduced their contributions to a retirement plan to help cope with higher medical expenses. Nearly half reported they were contributing less to other types of savings accounts as well.

A Kaiser Family Foundation study even found that 15 percent of people with health insurance had postponed treatment because of the cost.

### *Can you actually trim these costs?*

Consider the fact that the single largest medical expense for most families is the cost of health insurance.

Unfortunately, the differences in premium prices among health plans have narrowed significantly. However, if yours is a healthy family who uses a lot of routine care, you can probably get by with a Health Maintenance Organization (HMO) plan, if available at your workplace.

If you use a doctor in the HMO's network, you probably won't have to worry about deductibles and the co-pays will be lower.

What if you have a medical condition that means you need to see a specialist or you have long-time relationships with doctors that are not in the network?

Then, you might want to look into a Preferred Provider Organization (PPO). These plans allow you to see specialists and doctors not in the network, without a referral. However, you'll have to pay a deductible and you'll most likely have higher co-pays.

Some employers also offer Point-of-Service (POS) plans that combine features of both

PPOs and HMOs. They generally offer better out-of-network coverage than HMOs, but require higher premiums and co-payments.

Finally, there may soon be another choice; a high-deductible insurance plan (a deductible of \$1,000 or more) that you combine with a Health Savings Account (HSA) that allows you to save money pretax which you can then use to pay your health care costs.

What's best for you?

This will depend on your family, your family's health and your employer. PPOs usually required the cheapest premiums but might cost just a few dollars less than an HMO or POS. You would save the most with an HSO but it's really only for healthy families who can afford to pay for routine care and need only catastrophic coverage.

### ***Pay less for your medication***

One area where you might be able to trim health-care costs is with prescriptions. Many employers offer financial incentives to encourage the use of less expensive drugs. Nearly 9 out of 10 workers are now in some kind of a plan that has a tiered cost-sharing formula for medicines.

The way these work is that there is one co-payment for generic drugs. Then, there is a usually higher co-pay for preferred, brand name drugs such as Claritin or Prevacid for which there is no generic substitute, and even higher co-pays for non-preferred drugs.

Some companies are now adding a fourth layer with steeper co-pays for the so-called "lifestyle drugs" such as Viagra and Rogaine.

If your employer offers three or four-tiered plans, you can cut costs by getting the lowest-tier drugs whenever possible. Always check with your doctor or pharmacist to see if there is a generic substitute before filling a prescription. Generics generally cost 30 to 70 percent less than brand-name drugs with an average co-pay of just \$10 compared to \$33 for a brand name, non-preferred drug.

If there is no generic equivalent to the drug you have been prescribed, ask your insurer or company HR department if there is a substitute drug that would cost less under your health plan.

You can also ask your doctor if you could safely split in half a higher-dosage version of any pills you take on a regular basis. This would mean 50 percent fewer refills.

Sometimes, your physician will even provide you with samples, so you don't need to fill your prescriptions as often.

***Can you take advantage of a flexible spending account (FSA)?***

An FSA allows you to deduct money pretax from your paycheck to cover out-of-pocket medical expenses. The good news has gotten even better, too, as the list of expenses you can pay using FSA dollars has been expanded dramatically. In fact, the list now includes most over-the-counter drugs and new services that make it easier to spend down your account.

But, despite all the many benefits of FSAs, only about 20 percent of eligible employees currently take advantage of them.

While contributions vary by employer, you can often contribute as much as \$5,000 per year. Given this, you'll save about 30 percent on your Federal Income Tax. Naturally, this varies, depending on your tax bracket.

You can use FSA dollars to pay insurance deductibles and co-pays, and for such unreimbursed expenses as acupuncture, contact lenses, flu shots and LASIC surgery. You can find a list of eligible items at the [Internal Revenue Service](#).

These dollars can even be used to pay for non-prescription medicines such as aspirin, antihistamines and cough remedies.

The catch is that you must use your entire contribution within the calendar year in which you make the contributions. In other words; use the dollars or lose them.

Some drugstore chains such as Walgreen's now provide receipts or customized lists of purchases that show which items qualify. [Drugstore.com](#) has a whole section on its web site with FSA-eligible products.

Be sure to ask your Human Resources department about the availability of an FSA. You can only elect to contribute to an FSA for a particular calendar year during an open enrollment time or if you've had a life-altering event, such as a marriage or the birth of a child.

To figure out how much money to contribute to an FSA, estimate the amount you paid out of pocket last year, and then add to this any major expenses you anticipate during the coming year such as orthodontics or oral surgery.

### ***Fight overcharges***



Nobody's perfect, including doctors and hospital billing departments. Billing overcharges can occur and they may cost you literally thousands of dollars.

Consider the case of one patient who received a bill for \$15,333 for 49 vials of Pepcid. The correct amount was \$317. Typos like this can happen and can be very costly.

If possible, keep a list of all lab tests, medications, procedures and specialists you see during any hospitalization.

Then, do not pay your bill until you see an itemized statement from the hospital's accounting department. Federal law requires that the hospital provide you this itemized statement.

Check this statement against the list you kept to spot common errors such as incorrect dates of service, and duplicate or incorrect orders for medication.

If you find an error, call the hospital's billing department and your insurance company to get the mistake corrected.

The most typical mistake is for your claim to be erroneously rejected. Sometimes, this happens because the hospital or doctor's office made a mistake in coding the service or procedure you received. You could have had a procedure that would be covered by your insurance but was coded as a non-insurable service.

If you've been turned down, don't take, "No" for an answer. You may be able to appeal the decision and get it reversed.

### ***Can you play "Let's make a deal?"***

This may sound over the top but it is sometimes possible to negotiate lower prices.

Some employees have found they were able to bargain with their pharmacists.

Other employees, fewer in number, have successfully played "let's make a deal" with doctors, dentists and hospitals. This can be surprisingly successful as patients who have been willing to negotiate got a lower fee in about half of all cases.

Naturally, you won't want to try to negotiate emergency care but you may be able to save money on expensive services such as orthodontics or a LASIK procedure.

Where can you negotiate most successfully? Try young doctors who are just starting a practice or doctors with whom you have a long history. Before you start any negotiation, call your insurance company and see what it considers to be a reasonable and customary charge for the procedure. Then try to get your doctor to limit his or her bill to that amount as the providers' prices often run 25 to 50 percent higher than what the insurance company would pay.

If possible, offer to pay part of your bill in cash.

## Chapter 10: How to Tame the Credit Card Monster

There are actually some good reasons to use credit cards.

Most of the top-of-the-line cards will send year-end summaries of your spending, which is good if you have trouble keeping up to date financial statements.

Credit cards are good for travel and other expenses and there is only one bill to pay a month.

It is good to have credit card debt available in an emergency or if you suddenly find yourself short of cash.

However, for many Americans, credit card debt has become a black hole.

Credit card debt is bad debt because it means you are purchasing goods before you have earned them; borrowing from the future to pay for the present.

If you're carrying a big balance on one or more credit cards, the idea of paying them off may seem hopeless.

So, every month, you make the minimum payment and your balance continues to rise. You feel like you're falling further and further behind because you're paying for previous expenditures in addition to paying for current expenditures.

Tricia O'Connor, owner and president of Total Service Account, provides these tips for dealing with credit card debt.

"Find one of those credit cards with an introductory rate of between 5.9 percent and 6.9 percent and transfer your balance to get a better interest rate that will make it easier to get the principal paid down. While the interest rate is low, get the balance paid off."

"If your plan is to pay off the balance every month, use this trick. Enter each credit card purchase into your checkbook as if you had written a check. When the bill comes in, you have already accounted for the payment required in your checkbook and can then write the check without wondering where the cash will come from."

If possible, use your savings to get out of debt.

"If you have savings that you do not want to dip into to pay off the credit cards, look at what you are earning on your savings and what you are paying on the debt. One is always higher than the other and it is not your savings interest rate.

If possible, use your savings to get out of debt and know that you can always

charge an emergency on your credit card. Take the interest charges you are not incurring every month and save that instead.

---

*It doesn't make any difference how much money a father earns, his name is always "Dad-Can-I".  
Like all other children, my five have one great talent; they are gifted beggars. Not one of them ever ran into the room, looked up at me, and said, "I'm really happy that you're my father and, as a tangible token of my appreciation, here's a dollar."*

**- Bill Cosby**

---

If, while you are working yourself out of debt, you feel like you have to do without a lot, then do two things.

- 1) Remember that you got yourself into debt because you spent more than you had to spend. To get yourself out of debt, you will need to reverse that scenario.
- 2) Look at your credit card statements over that past few years and add up the finance and interest charges incurred. You will be stunned at what you could have purchased if you had not paid it to the credit card companies as interest.

### **Work yourself out of debt by increasing your income**

A way to work yourself out of debt is to make more money. One way to do this without giving up your day job is by selling through eBay.

Ebay is where literally millions of Americans are earning extra money – sometimes as much as several thousand dollars or more a month. How do you make money on eBay? There's lots of ways, but one I like is called drop shipping. It's great because you don't have to carry an inventory, you don't have to ship anything and you don't spend a nickel out of pocket. [Click here](#) for more information about drop shipping and eBay

### **Interest Rates Really Matter**

It's shocking to see how much money you can save by finding a lower interest rate and paying off your mortgage over a shorter period of time.

For example, if you were to have a \$100,000, 30-year mortgage at 10%, you



will pay over \$215,000 in interest over the life of the loan.

However, with the same \$100,000 loan at 6%, you will pay only about half of that in interest. What's more, if you reduce those 30 years of payments to 15 years, you will cut your interest payments in half again!

The table below shows the amount of interest on a \$100,000 loan at various interest rates and different time periods. The table is most useful if you compare the differences between high and low interest rates, between short and long loans, and the different variations between both of those variables. You'll find that by lowering your interest rate and paying off your loan faster, you will save more money than you expect.

<b>FICO Score</b>	<b>Interest Rate</b>	<b>Monthly Payment</b>
<b>720-850</b>	5.73	\$873
<b>700-719</b>	5.86	\$885
<b>675-699</b>	6.39	\$936
<b>630-</b>	6.74	\$1053
<b>560-629</b>	8.53	\$1157
<b>500-599</b>	9.29	\$1238

This chart courtesy of [www-free-financial-advice.net](http://www-free-financial-advice.net)

***More ways to get out of credit card debt***

Remember that paying down even a small amount helps. The more you pay down, the easier it is to pay the balance as there is less interest due each month.

If your credit card rates are on the high side, call your credit card company and ask them if they will reduce the rate. It just might work. Some companies have been known to reduce 18% rates to as low as 7-9%.

Transfer the balances of two or more cards to one card. But, be careful. Sometimes low transfer balance rates expire after a couple of months and you end up with an interest rate higher than where you started. Also, new purchases on the new card

may carry a higher interest rate than the balance transfer rate.



See about consolidating your debts into a single-term note. This kind of note usually has a lower interest rate and requires just one payment a month. If you do this, make sure you lay off the credit cards until you have the consolidation loan paid off. Otherwise, you will just be compounding the problem.

But, make sure the new interest rate is at least 5 points lower than the average of the rates you are paying now.

Consider taking out a home equity loan and use it to pay off your debts. The interest on a home equity loan is usually tax deductible, saving you even more money. An adjustable-rate equity loan today typically has an interest rate of around 6.74% or less.

Since it's adjustable, it will go up but will probably never go to the 10%, 12% or higher you may be paying on your credit cards now.

If you do pay off the credit cards with an equity loan, tear up all the cards except the one that has the lowest interest rate. Do not use this card except in a real emergency. Otherwise, you will just end up with an equity loan and a lot of credit card debt again. The real secret of credit card usage is "Don't."

### ***What about those credit counseling companies?***

You can see a lot of advertisements for companies that promise to get you out of debt through credit counseling.

Some of these are legitimate, but some just want to take your money.

The first of these companies was called Consumer Credit Counseling Services. It was formed and backed by the credit providers themselves. Their idea was to help you get out of debt so you would pay them back without declaring bankruptcy.

It was a free service.

Their counselors would work with you to develop a budget, and negotiate a payment plan with your creditors.

In return, the creditors would often agree to a lower interest rate or lower monthly

payments, or even forgive a portion of your debt.

You would then write a check each month to the CCCS who, in turn, would send payments to your creditors.

As we said, this service was free because it was a good thing for the creditors who were footing the cost of the Consumer Credit Counseling Service.

A number of non-profits and for-profits have now jumped into this business. Their ads typically promise to help you get out of debt quickly. Unfortunately, some are little more than rip-off artists who trick you into sending them your money, then never pass it on to your creditors.

If you feel that you really need credit counseling, be sure to pick one of the legitimate services. If there is a **Consumer Credit Counseling Service** in your area, with exactly that name, it might be a good place to start.

Or, you might ask one of your creditors if they work with such a service and which they would recommend.

Be careful. If you make a wrong choice, you could end up in more trouble than you had when you started.

### ***The time value of money***

The most basic law in finance, "the time value of money", states that a dollar today is worth more than a dollar at some time in the future.

How does this work? Well, if you invest \$1,000 in a 5% savings account today, it will be worth \$1,050 in one year. This means that if you can have \$1,000 today or choose to have it one year from now, it is always better to have the money now.

By saving and investing today, you make the time value of money work for you.

How does the time value of money work against you? Suppose that instead of receiving the \$1,000, you spent \$1,000 by purchasing merchandise on your credit card.

Remember that a dollar today is worth more than a dollar tomorrow. This means you will have lost money because you will need to pay off your credit card account with money from the future (which is worth less than money today).

In addition to having to pay with future money, you will also have to pay the interest. So, in this case, if you paid off the credit card in one year (assuming 15%

interest), you'd have to pay \$1,150.

So, before you make any money decisions, make sure you take into account the time value of money.

In Chapter 1, we suggested that you write down the amount of interest you are paying on credit cards each month.

If the amount is over \$50 a month, there may be room here to cut costs. If it is over \$75 a month, there should definitely be room for improvement.

Consider a home equity loan. If you have sufficient equity in your home, it might pay to take an equity loan and pay off the credit cards. Plus, in most cases, you can deduct the interest on your taxes, which you cannot do with credit card interest. This is the most painful method but saves the most money in the long run.

**TIP:** Use some of the money saved by using the information in this book to pay off credit cards, one card at a time if this is the best you can do. Reducing or eliminating credit card debt is usually the most significant way to save money.

### ***Give yourself a credit check-up***

It's important for you to know what others are saying about your credit history. While the credit bureaus that keep track of your credit record try their best to be accurate, mistakes can occur.

Today, many credit card companies (and even some mortgage companies) will base your interest rate on your credit score. So, it's important that the information on your record is accurate and that you keep your score as high as possible.

There are three credit bureaus: [Equifax](#), [Experian](#) and [TransUnion](#).

Did you know there is a Federal law that requires these bureaus to provide you with a free credit report every 12 months?

All you have to do is request a report. Also, the law requires that you be able to access these reports online.

Once you have logged on to one of these sites, you will need to provide several pieces of personal information, including your full name, social security number, birth date and current and previous addresses.

The credit bureaus say this information is safe because it is encrypted before it is transmitted, and decrypted only on receipt by the bureaus themselves.

Once you provide this information, the web site will ask you to select reports from one, two or all three credit bureaus. While you can get all three at once, consumer advocates suggest that it's smarter to get a different report every four months so you can continuously monitor your history.

TransUnion will have your accounts separated into "adverse" and "satisfactory" categories. It also separates those who are looking at your report into three categories; Regular, Promotional and Account Review.

TransUnion also uses a color-coding system. Each of your accounts will have a box that displays your standing for each month of your payment history. Green means okay, yellow is 30 days past due, orange is for 60 days and red for 90 days late.

While all three reports are fairly straightforward, Experian is probably the easiest to navigate. It starts with an easy-to-read summary of the report which shows any potentially negative items and a list of your accounts in good standing.

While the Equifax report is more difficult to navigate, it is very thorough. The Equifax report will show you the total amount of your debt broken down to three types: open accounts, closed accounts, and accounts in good standing.

It shows the history of each of these accounts with information on the months you were late, and where the account stands.

If you have never seen your credit report, here's what it contains:

- Your identification information
- Payment history with different creditors
- A list of inquiries made by various financial institutions, and
- Information on the public record, such as foreclosures or bankruptcies.

It does not include your "credit score" but you can buy that from the three bureaus for a fee that ranges from \$5 to \$7.

We logged onto the web sites recently and received all three reports in less than 60 minutes.

Double-check this information in your report:

**Personal information:** Make sure your name, address, date of birth, social security number, previous address, employer and phone number are all accurate.

**Credit summary:** Carefully review your credit history. Check to see if all the accounts listed are really yours. One mistake that's often made is when you close an account but it still shows up as active.

Also, make sure your payment history with each creditor is accurate.

**Your public records:** Review your public records to make sure there is no incorrect information on bankruptcies, judgments or liens filed against you.

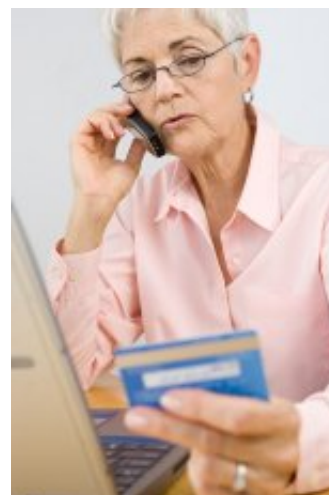
Check to see what companies have been making inquiries about your credit history. Are there companies listed that you are not doing business with? If so, this could signal activity from an identify thief trying to steal your information to get access to your credit.

### ***If you find errors***

If you find errors in your record, you will need to dispute them by following the procedures listed by the credit bureau about how to correct bad information.

If the problem is about a report of late payments from a credit provider, make sure you also notify them of the dispute.

When you do file a dispute with one of the credit bureaus, it has 30 days after receiving your complaint to confirm any disputed item or correct the mistake.



### ***How to get your credit reports***

#### **Internet**

Instant access after you provide key personal information.

#### **By phone or mail**

Mailed within 15 days of telephone or written request.

#### **Free:**

[AnnualCreditReport.com](http://AnnualCreditReport.com) Only accessible through Internet Service Providers located in the U.S.A.

Annual Credit Report Request Service

P.O. Box 105281

Atlanta, GA 30348-5281

**For a fee:**

**Equifax**

1-800-685-1111

P.O. Box 740241

Atlanta, GA 30374-0241

**Experian**

1 888 397 37

**TransUnion**

1-800-888-4213

P.O. Box 1000

Chester, PA 19022

**Note:** For more information on credit scoring, see Appendix D: Conversation with a Credit Counselor.

## **Chapter 11: Life Insurance – Who Needs it?**

Everybody needs life insurance, right?

Well, yes and no.

If you do not have a family, you probably don't need life insurance. After all, the whole point of life insurance is to take care of your family if you die.

If you don't have a family, then who do you need to take care of?

Let us suppose that you do have a family. Then, the question is not, "Do you need life insurance?" but, "How much do you need?"

A life insurance salesman will probably want to apply some kind of formula.

In years gone by, he or she might tell you that you should buy insurance equal to four times your annual salary. For example, if your annual salary is \$50,000, then you should buy at least a \$200,000 policy.

Today, that same agent might tell you that you need eight times your annual salary, or a \$400,000 policy.

We think that, in most cases, this is too simple an approach.

For example, are you the family moneymaker or does your spouse earn more?

Or, are you a single mom or dad? Where does that put you?

And, how old are your children?

Will your surviving spouse be raising kids for ten years or two?

Does your spouse work?

How much does he or she earn?

If something were to happen to you, is there family nearby that could help raise your kids, or is your nearest family member 1,000 miles away?

Your death should not be like winning the lottery for your survivors. Don't buy so much insurance that you and your family will be short of cash for all those years before you pass on.

### **The Secret to Buying Life Insurance**

The secret to buying life insurance is no secret at all. You just need to determine what kind of insurance is right for you, how much insurance you need - based on the



factors described above - and then shop around. Different insurance companies often quote different prices on just about the same insurance as they weigh their risks differently.

### ***Term compared to cash-value Insurance***

Your first task in shopping for your life insurance will be to choose a type of insurance. The two most common types available are **term** (sometimes called **level term**), and **cash value** policies.

When you talk to an insurance agent (and you may not even need to talk to one – more on this later), you may be told about a bewildering array of policies. But, almost all of them fall into one of these two categories.

Simply put, a term insurance policy is like the renting coverage. You give the insurance company a stated amount each year or each month.

In return, the insurance company promises to pay your heirs a set amount when you die.

That's it. Period.

There is no cash value to the policy; when you quit paying, you quit getting coverage and get no money back.

In comparison, a cash-value policy provides a set amount of coverage, like a term policy, but builds cash value over the years. For example, suppose that, when your children are young, you take out a cash-value policy for 10 years.

Then, you decide to cash it in. You'll get a check for some amount from the insurance company, depending on the number of years you had the policy and the amount you paid each month (or year).

Keep in mind that this is a very simplistic explanation as there are a number of different kinds of cash-value policies with different investment components. Also keep in mind that, while one of these policies will guarantee you a return on your insurance investment, it's liable to be very minimal if compared to what you might get with the same money in a good mutual fund.

### ***Term or cash-value; which is right for you?***

Which type of insurance would be best for you?

Most experts believe that, if you're young and have young kids, your best bet is a

term policy because it costs less, but can offer good coverage.

For example, if you're 35 and in good health, you can probably buy a \$500,000 10-year level-term policy for less than \$300 a year. Or, you could buy a 20-year level-term policy for maybe \$400 a year, and so on.

The longer the term, the more it will cost.



You might also save money on term insurance by buying more than one policy. For example, if you have two children, one aged 12 and one aged 8, then you might consider buying a 10-year level term to take the 12 year old through college and a 20-year term to cover the eight year olds college expenses.

### ***How to eliminate that pesky life insurance agent***

If you determine that term insurance would be best for you, you can actually buy it online and never see an insurance agent. There are several web sites where you can provide your personal information and get a quote for term-life policies in various amounts.

Three of these are:

<http://www.quickquote.com/>

[ReliaQuotes](#)

[Intelliquotes](#)

In all cases, you will be required to provide basic information such as your age, height, weight, and general physical condition.

You will then receive between one and five preliminary quotes.

It's important to remember that these are preliminary quotes. Once you choose a specific insurance company, it will probably request additional information and, often, a physical examination. That is usually done in your own home in the evening or on a Saturday. The insurance company will provide a firm quote after it receives all the information it requested and the results of your physical.

Assuming you sign-off on the quote, you will then receive your policy and payment instructions.



## Chapter 12: Slash Those Travel Costs

Travel has never been easier or cheaper, whether you're flying to Florida or taking a cruise.

Airline tickets used to cost so much that the vast majority of flyers were traveling on business, where their employers were footing the bill.

Cruises and luxury resorts used to be just for the super-rich.

### *Travel like a Prince on a pauper's budget*

Today, just about anyone can take a prince's vacation on a pauper's budget.

To begin with, let's look at airline travel.

A round-trip ticket from Denver to Orlando once cost more than \$600. Today, the careful shopper can buy that same ticket for \$222 or even less.

Four good places to find deals on airfares are:

[Orbitz](#)

[Cheaptickets](#)

[Expedia](#)

[Travelocity](#)

**Note:** If you live in a city served by Southwest Airlines and/or Frontier Airlines, be sure to go to their sites as they often offer better fares on their own sites than you will find on these other web sites.

### *How can you get the best possible fare?*

Check all possible web sites. Plan to stay at your destination over a weekend as most airlines require a Saturday stay-over for their cheapest fares. However, even this may be changing. As of this writing, Delta Airlines had just announced that it was waiving this requirement, and others may follow.

### *How flexible can you be?*

The airlines usually offer their cheapest fares on those flights that draw the fewest passengers. For example, you might save \$30 or more by taking a flight leaving at 6:00 AM compared to one leaving at 10:00 AM.

If you can travel on off-peak days, you will also save money. Peak days for airlines are typically Monday, Tuesday and Friday as this is when most business travelers fly.

If you can leave on, say, a Thursday and return on a Wednesday, you might save some significant dollars.

### ***How to cut the price of a ticket you've already purchased***

If you bought your ticket well in advance (a month or more), go back from time to time to the web site where you purchased it and see if the same ticket is selling for substantially less.

Let's say that you paid \$400 for the ticket a month in advance and now, a week out, it's selling for \$200.

Contact the airline and ask for a price reduction. This doesn't always work but it is always worth trying.

Every week, the airlines e-mail their best offers in their newsletters and some of these offers can be out of this world.

Just go to the web site of the airlines that interest you and sign up for their newsletters.

Again, it pays to be flexible as some of their best offers might require you to fly within seven or ten days.

You will also need to decide at some point whether or not you need a travel agent. This will depend a lot on how much you trust your own judgment and how much you know about your destination.

### ***What about charter flights?***

You will usually find charter flights advertised in the travel section of your Sunday newspaper. These charters are usually put together by the really big travel agencies and are for travel hot spots like Mexico and Hawaii.

They usually include both airplane tickets and hotels. You can sometimes save as much as 50 percent by booking on of these charters. The downside is that you are not buying an airline ticket; you are buying a ticket on an airplane and if the plane does not fly for some reason, you do not fly.

This means you should make sure you are buying the charter from a really reputable source.

Airlines quit paying commissions to travel agents a number of years ago. This means travel agents can be pretty objective in recommending a certain flight and

might be able to find a cheaper flight faster than you could yourself. The down-side is that there is little incentive for them to work with you if you just want to book a flight.

### ***Interested in saving money on a Disney World vacation?***

A best-selling travel author and former Disney cast member has information that can help you save big on a Disney World vacation. One example of this is a 10-day vacation at the 5-star Disney Resort with a retail value of \$3,110 that she can help you get for \$1,130. [Check out the savings now available on a Disney vacation](#)

### ***How to save money on a hotel room***

Where a travel agent might help you the most is in finding a hotel in your destination city.

If you know the city, you can probably pick a hotel yourself, based on its name and location.

However, if you're going to a city with which you are not familiar, a travel agent might be able to do a better job of finding you a good hotel at a decent rate.

Agents still do get commissions from many hotels, so they have an incentive to work with you on this.

Just be sure the agent knows your preferences. Don't be shy. If you want a four-star hotel for no more than \$80 a night, say so. That way, you won't be wasting your time or the agent's time.

If you feel you can select a hotel room yourself, you might find a good deal on the Internet. Try [HotelRooms.Com](#) and [ReserveTravel.com](#)

You may find even better deals by going directly to the hotel's web site. This is because these sites usually offer more room alternatives and sometimes discount their rooms based on their advance reservations.

For more upscale travel, try:

[Sheraton Hotels](#)

[Marriott Hotels](#)

[Hyatt Hotels](#)

If you're more into economy travel, log on to one of these sites:

[Choice Hotels](#)

(Choice Hotels, Comfort Inns, Clarion, MainStay Suites, Econo Lodge, Rodeway Inns, etc.)

[Holiday Inns](#)

[Best Western](#)

Again, if you're going to book a room yourself, it's always better to know the destination city. A Comfort Inn near the center of Memphis might cost the same as a Comfort Inn in West Memphis, but do you know the difference between the two areas?

### **Resort Vacations**

If you're looking for a vacation resort, you might find a travel agent can be useful. Obviously, there are good resorts and bad resorts, especially in foreign countries. If you or some of your friends are not familiar with a particular destination, you might save money by using a travel agent.

The other alternative is to buy a travel package that is a combination of airfare, hotel accommodations and (sometimes) meals from a single source. These sources are usually called travel consolidators.

Two that offer travel packages are:

[Apple Vacations](#)

[Suntrips.com](#)

Another alternative is to rent a home or condominium for your vacation. Many people are happy to rent their home when they are not using it. For example, people in Florida might be interested in renting their homes during the months when they are living in their other home in Maine.

We know of several good sources for house rentals. Both of these sites represent properties that are rented by property managers:

If you are interested in a beach vacation, click on [Beachhouse.com](#)

A good source for information on all kinds of houses for rent is [Homeaway.com](#)

This site lets your search by state or country and choose the type of vacation that interests you; golf, ski, beach, etc.

And, finally, you can rent directly from the owner. The upside of this is that you

might be able to save money on the rental since there is no middle-man property manager involved.

You will find more information on renting directly from the owner on [A1 Vacations](#).

All the sites we have listed here offer pictures of the house you would be renting. It's also a good idea to contact the property management company or owner in advance of making a reservation so you are absolutely clear as to the cost of the house and any restrictions on its use (i.e., no pets, number of guests allowable, etc.)

### ***Sink the cost of cruising***

Cruises might have been only for the very rich as little as 10-15 years ago but this is far from the truth today.

We recently found a five day cruise to the Caribbean costing as little as \$544 per person for an inside cabin. And, this was without doing any real comparison shopping.

Cruises are an area where a good travel agent may be able to really help. If you are not familiar with the individual cruise lines and do not understand the difference between an ocean view cabin on the Main Deck and one on the Empress Deck, a good travel agent can make sure you get a fair deal and a good room on the right cruise.

If you decide that it's a do-it-yourself thing, the secret to getting a cheap cruise is twofold:

First, you need to book the cruise as far in advance as possible as the cheaper cabins tend to go first.

Secondly, you can't be choosy about your cabin. Inside cabins are the cheapest as they are literally inside the ship, not on the outside where you would have a view of the ocean, docks, towns, etc.

Another variable is where the cabin is located. Cabins near the center of the ship are more desirable (and cost more) than cabins at the rear (stern) of the ship. And, cabins on the top decks cost more than cabins on the decks down below.

Be sure to see a diagram of the ship and its decks before you book. The cruise companies tend to be very imaginative in naming their decks. For example, Royal Caribbean's Majesty of the Seas has decks named "Bridge," "Commodore," "Mariner" and "Main." If you didn't do your homework on this ship, you might not ever guess that the "Main" deck is four decks below "Mariner" and that "Bridge" deck is at the



top.

Next lowest in price are "ocean view" cabins, meaning that you have a window. Then, there are rooms with balconies (yes, Virginia, ships do have balconies) and suites and suites with balconies and so on.

All of these vary in price, depending on their location on the ship.

You might find the best deals on the cruise line's web sites. Four of the most popular are:

[Royal Carribbean](#)

[Princess Cruises](#)

[Carnival Funships](#)

[Norwegian Cruise Lines](#)

For comparison sake, you should also check into web sites that offer cruises from a variety of companies, such as [Cruise.com](#)

This site offers deep discounts on last-minute cruises, [Vacations to Go](#)

If you can be flexible enough to book and leave in as few as two weeks, you might also try [Cheap Cruises](#) and [Cruise Value Center](#)

While the cost of a cruise may seem very reasonable (after all, they even include up to five meals a day), there are several other things to consider.

For example, if you like a cocktail or wine with your meals, be sure to check into their costs as drinks are never included in the cost of a cruise.

Likewise, all cruises offer shore excursions. These can be anything from swimming with dolphins to a helicopter tour of a glacier. If these interest you, be sure to check out the price of the excursions before committing as two or three excursions can easily add 30% to 50% to the cost of the cruise.

Then there is that old devil, gratuities. Many cruise lines now assess you a flat fee to cover some of the gratuities, such as what you would normally tip your cabin attendant. Again, make sure you know what is and what isn't included as gratuities can easily add up to \$50 or more.

Finally, when you see the "cost" of a cruise quoted on a web site, understand that this cost usually does not include taxes, and maybe some other miscellaneous

fees. A good travel agent can brief you on these so you will know exactly what your cost will be before you book.

If you're booking the cruise on your own, it would pay to contact the cruise line and ask about gratuities, taxes and fees so you won't be in for an unpleasant surprise when you book the trip.

## **Chapter 13: Even More Cost-cutting Tips**

### **Auto Maintenance**

#### ***If your car is under warranty***

Make sure that you take it to the dealer for work covered under the warranty. For any other work, or if the car is not under warranty, you should shop around.

For example, did you know that the major automakers such as Chrysler, Ford and GM allow you to have the interval maintenance work done by non-factory registered service centers?

If you need to have 30,000 or 50,000-mile maintenance done on your car to keep the warranty in effect, be sure to price-check other companies.

We recently received a price from Midas to do the 30,000-mile maintenance on our Chrysler Sebring for \$190 compared to the \$257 our local Chrysler dealer would charge us for the same work.

#### ***When your car is not under warranty***

If the car is not under warranty, get competitive bids for any major service work, as a non-factory repair center may be cheaper. But, make sure that the company is qualified to do the necessary work, and knows what it's doing.

Get a guarantee on the work. Most repair facilities will guarantee their work for at least 30 days. Try to get a six month guarantee, if possible.

Don't forget to ask the service center (and the dealer for that matter) to return to you any parts which they replace. It's the best way to make sure they have done the work they agreed to do.

Always demand an estimate upfront. Make sure that both you and the repair facility agree as to what the estimate means. Is it a "hard" estimate, meaning that they guarantee the cost of the repairs will not exceed the estimate? Or, is it a sort of "well, we think this is what it will cost?" guesstimate?

Try to get a hard estimate so there will be no unfortunate surprises when you pick up the car.

#### ***Lunches at work?***

Are you and/or your spouse regularly going out for lunch at work? This can be fun, but costly. Do the figures - at \$5 a lunch and five lunches a week, four weeks a

month - that's around \$100 a month.

Try to reduce this by at least 20%. Most companies have break rooms and microwave ovens. Buy several "instant lunches", such as a Lipton Rice Bowl<sup>®</sup> or a Lean Cuisine<sup>®</sup> as part of your weekly grocery expense. Take them to work three or four days a week and then treat yourself to an outside lunch on Friday.

Keep in mind that fixing a lunch to take to work is almost always much cheaper than buying a "ready made" lunch. For example, a Lipton Rice Bowl<sup>®</sup> costs nearly \$4.00 in our area. In comparison, a sandwich, apple, small bag of chips and a cookie will probably set you back no more than \$1.00.

### ***Cutting your entertainment budget***

It's nice to go out for dinner and a movie, but how much is this costing you per month?

In our area, a movie now costs at least \$8 per adult. That's \$16 for the two of you, plus dinner. Figure as little as \$30 for dinner and the evening is already costing you a minimum of \$46 – not counting any babysitting or other costs.

It's okay to do this once in a while as we all deserve a break. But, how often are you doing this? If you're going to a movie more than once a month, take a hard look at what you're doing.

Watching a movie at home while eating a pizza may not be as much fun, but could save you \$30 compared to going out to dinner and a movie.

If you really love movies, be sure to check into [Netflix](#), [Blockbuster](#) and [Wal-Mart](#) for information about their movie rental packages.

For example, as of this writing, Blockbuster was offering three movies at a time, with postage paid both ways and no late fees for just \$14.99 a month – plus a free trial offer.

### ***Trim those clothing costs***

How much are you spending on clothing per month? Whatever it is, set a goal of reducing it by at least 20%.

See what you need to do to achieve this goal. In some cases it will not be possible, as you may have already cut costs to the bone. But, give it a try; you might be surprised.

If you have a TJ Maxx, a Ross Dress for Less or a similar store in your area, give it a try. These off-price retailers normally have merchandise for at least 40% less than you would pay at a conventional department or fashion store.

How about buying clothes online, for example, through eBay? It takes more time and effort but, again, the savings can be substantial. Other good possibilities for saving money online are companies such as [Lands End](#), [Eddie Bauer](#), [24 Hour Mall](#), [Blair](#) and many others.

### ***Buy school supplies when they're on sale***

When it comes to stocking up on supplies for your kids, remember that many cities and towns now have both [Big Lots](#) and [Family Dollar](#) stores. Don't buy school supplies until you've checked out these stores. Also, keep an eye out for their sale flyers and, if possible, stock up when the things you need are on sale, not two days before school starts.

You may also find great buys on school supplies at stores like [Office Depot](#), [Office Max](#) and [Staples](#).

These retailers often have coupons in newspapers for pens, pencils, glue, notebooks and so on (as loss leaders) where you can save a bundle.

Be sure to watch their newspaper ads and stock up when these supplies are on sale. If you watch their sales carefully, you can actually get some of these supplies for practically nothing.

---

*What is important for kids to learn is that no matter how much money they have, earn, win, or inherit, they need to know how to spend it, how to save it, and how to give it to others in need. This is what handling money is about, and this is why we give kids an allowance."*

**- Barbara Coloroso**

---

### ***Free coupons that can help you save big!***

Believe it or not, there are actually Internet sites where you can buy coupons, often for just the cost of the postage necessary to mail them to you.

One of the sites we like is the [Coupon Clippers](#). You can also get free grocery store coupons at the [Savings Center](#), [Valuepage](#), [SmartSource](#) and many others.

You can find a bunch of these coupon sources by searching the Internet with the

term "grocery coupons." Finally, there are sites where you can buy school supplies online. The stores mentioned above, such as Office Depot, sell supplies online. There is also [Discount School Supplies](#) which offers discounts on a wide variety of school supplies.

## Chapter 14: Building a Budget and Sticking To It

We hope that you found ways to trim many of your expenses as you reviewed them. Now comes the hard part which is to build a budget and stick to it.

Take out the worksheet which you filled out earlier.

Now, turn to Appendix A.

Fill in the first column, your "Actuals" from page 12.

Fill out the next column with your goals, based on the money-saving tips you have learned so far.

**Note:** If your "Goals" column is not at least 25 percent less than the "Your Actuals" column, go back and see where you can save more money until you reach at least a 25 percent difference. (We told you this wouldn't be easy.)

For any category, such as Internet or Home Maintenance, where we have not provided concrete money-saving tips, just set a reasonable goal, e.g. to reduce the cost by 10 percent.

Keep close track of all your expenses. Write down the totals for each category in the "New Actuals" column at the end of the month.

---

*"Economy does not lie in sparing  
money, but in spending it wisely."*

**- Thomas Henry Huxley**

---

If the amount spent in the "New Actuals" column is less than the amount in the "Goals" column, write down the difference in the "Leftover" column. If the amount spent is greater than what you have in the "Goals" column, write down the difference in the "Negative" column.

Now, add up all the columns.

If you're like most people, the total of "New Actuals" will be substantially higher than the original "Actuals" from page 11. This is because you have been keeping much closer track of your expenses than when you filled out the first worksheet.

The total amount of your "New Actuals" column for the first month may be higher than the "Goals" column.

Compare the "Negative" and "Leftover" to see where you went over budget and where you saved money. This will give you a quick picture of where you are doing well and

where you can do better.

Start a new sheet every month.

If, after several months, you see there is a category where you are repeatedly showing "Negative" or "Left Over," take a close look as to why this is happening.

### ***Were your goals too high or too low?***

Can you adjust your spending to better match your goals? If not, you will need to change the "Goals" amount in those categories to something closer to your actual spending.

Compare your expenses to your income.

By following this program, and sticking to a budget, your expenses should be a fair amount less than your income.

If you have credit card debt, you can use the difference to pay off that debt. If not, the savings should go into an investment such as mutual funds or an IRA.

### ***See your savings***

Now, add up and compare the columns titled "Actuals" and "New Actuals" to see how much you can slash those living costs.

We bet you're surprised at how much you can save.

Consider the list on the right to be your new budget.

Here is what's really important: Fight to stick to that budget.

We admit that there are times when it won't be easy.

But, just look at how much money you'll be saving to pay off credit card debt or for a really nice Christmas or summer vacation.

### ***Budgeting - tough love style***

This is a really severe alternative.

But, if you have trouble sticking to a budget, do this.

Get a number of envelopes. Write a title on each one corresponding to one of your budget categories, (for example, groceries, utilities, clothing, entertainment, etc.)

Then, on pay day, cash your check(s) and put in each envelope the amount of money you have budgeted for that item. When you go to the grocery store, take out the amount of money you budgeted for that week.



It's tough love but here's the deal. When an envelope is empty, that's it for the month.

No matter how tempting it might be, you never spend more than is in the envelope – never, ever.

### ***Is saving money part of your budget?***

Did you fill in an amount on your budget for savings?

No? Well, drat!

The smartest words ever said by anyone: *"A penny saved is a penny earned."*

Be sure that you budget for some savings.

Start small. Don't give up.

And, don't dip into your savings unless it's an emergency.

Every little bit helps. Did you know that if you saved \$1 per day and invested it at 10%, you'd have almost \$200,000 in 40 years?

Every little bit counts and it is very important that you take this financial advice, get out of debt, save money and start saving it now!

You can do it by putting off spending until a future date or by cutting spending on non-essential items.

For some people, self-control is a real issue and, if the money isn't "accounted for" immediately, they tend to spend it on impulse and luxury items that are non-essential.

If you find yourself in this category, or have trouble saving, you should create an investment account that is automatically funded each month.



### ***A 401K: It can still be a working person's best investment***

Some 401Ks have really tanked during this recession. But when it comes to the stock market, what goes down eventually comes back up.

All in all, 401K plans are still the working person's best investment opportunity by far. If your company offers one of these accounts, sign up immediately!

The money will be taken out of your check automatically each time you are paid. The

best part is that, in most cases, your employer will match your contribution up to a specified percentage.

It may hurt for a bit when you first have to do without that \$25, \$50 or so from each paycheck but, when you see how much you have saved in a couple of years, you will be so glad you did this, you'll just hug yourself.

Plus, you pay no taxes on this money until you begin withdrawing it from your 401K account at age 55 or older.

So, you save two important ways.

### ***Other investment alternatives***

There are other alternatives if your employer does not offer a 401K.

If you have the necessary self-discipline, take out \$25 or \$50 a paycheck and put the money in a savings account at your bank or Savings & Loans.

Then, in January of next year, take out the money you have saved and deposit it in an IRA.

Just about any CPA (accountant) can help you set up an IRA.

The government now allows you to deposit a maximum of \$2,000 per year pre-tax in one of these accounts, which means you pay no taxes on the money until you take it out at age 55 or more.

### ***For the small business owner and the self-employed***

There are also some good alternatives if you are self-employed.

The first is the Self-Employed 401(k), also known as a Solo 401(k). This plan is for business owners with no full-time employees, though the business can still qualify for this plan if the only employee is the spouse of the owner.

Your business can be brand new or long established. It can be a sole proprietorship, L.L.C., partnership or corporation.

There is also a SEP IRA. This stands for Simplified Employee Pension IRA.

These plans are also referred to as SEP, SEP plans, SEP retirement plans, SEP IRA simplified employee pensions, Simplified Employee Pensions, Self-Employed Pension plans, Simplified Employee Pension Plans, Simplified Employee Plans and Self-Employed Plans.

***Why you might select a SEP over a Solo 401K***

1. You have employees, other than a spouse or co-owners, and do not qualify for the Self-Employed 401(k).
2. You did not open an individual Self-Employed 401(k) plan last year, but you still want to make a retirement contribution for last year before you file your business tax return.
3. The bigger contribution and loan features allowed with the Self-Employed 401(k) are not important to you.

There are also at least three other alternatives: Keoghs, Simple IRAs and Individual Defined Benefit Plans.

Be sure that you talk to a CPA for complete details on all these plans so that you have the information you need to make the right choice for your particular circumstances.

## **Chapter 15: How to Get More out of Your Paycheck**

Besides finding ways to cut your expenses, there are ways for many employees to get more out of their current paychecks.

You might even look it as a way of giving yourself a raise.

### ***Flexible Spending Accounts***

Many employers now offer health-care flexible spending accounts. These accounts allow an employee to set aside pre-tax dollars to pay for medical costs which are not covered by insurance.

The money may be used to pay for expenses such as prescription drugs, alternative therapies, chiropractic treatments, contact lenses, smoking cessation programs, orthodontic expenses and eyeglasses.

In September 2006, the IRS approved paying for over-the-counter drugs with flexible spending account money. The list of approved items is extensive, so contact your employer for an up-to-date itemization.

### ***How Flexible Spending Accounts Work***

You decide on the amount you want to set aside for health-care costs for the following year. A portion of that amount is deducted from your paycheck at each pay period.

If you designate \$2,400 for a health-care flexible spending account, \$200 will be deducted each month, before taxes.

At Texas Children's Hospital in Houston, 30 percent of the hospital's 6,000 employees participate in flexible spending account programs. Arlene Hillegeist, Director of Human Resources Services, says that many more employees could benefit from these accounts, but they either don't know the options exist or are wary about putting money into them.

One reason for the hesitation is the "use it or lose it" rule under which these accounts operate. You lose any money that you don't use by the end of the year. But, if you plan conservatively and carefully, you can avoid this loss.

Health-care flexible spending accounts operate on an individual basis, so you and your spouse may each contribute to your own accounts. Your employer determines the maximum contribution.

### ***Dependent-care flexible spending***

If you have children and your employer offers flexible spending accounts, you may be able to take advantage of a dependent-care flexible spending account.

These accounts operate on a per-household basis up to a \$5,000 per year maximum.

### ***Transportation reimbursement***

While companies are powerless against the limits the IRS has set on some of the flexible spending accounts, they can be creative with other pre-tax benefits such as transportation reimbursement.

According to the IRS, transportation reimbursement of up to \$190 per month for parking and up to \$100 per month for mass transportation and vanpools may be made available to employees.

You must work for a company that has such a plan in place to have these costs deducted from your paycheck before taxes.

Texas Children's offers several tax-saving commuter options for its employees, who can deduct a \$50 monthly parking fee from their paycheck. Van pooling and bus passes can save employees as much as \$2,000 a year in commuting costs.

To find out which of these and other money-saving programs your company offers, contact your Human Resources department.

### ***Retirement***

Retirement plans are another great way to stretch your paycheck.

Your contributions are made with pre-tax dollars. You're saving for the future while reducing today's taxable income.

As we showed earlier, 401K plans are the average's person's best friend. That's not just because you're saving money pre-tax but because, in most plans, your employers will also contribute to the plan.

## Chapter 16: The Other Alternative – Increasing Your income

If you find money is still way too tight, despite the fact that you have cut costs to the bone, you may have to find ways to increase your income.

For example, if one of you is staying home with the kids, that person may have to find a part-time job.

Another alternative, and this can be really harsh, is for one of you to take on a second job.

**Note:** Before you put a second person to work, make sure you understand the effect this could have on your taxes.

There is, in effect, a tax on the marriage of working spouses.

Consider the case of two people who each report \$25,350 in taxable income this year. They would each pay \$3,802.50 in taxes, or \$7,605 combined.

If they get married before the end of the year, their total income would be \$50,700. They would have to either file a joint return, or file separate returns as married individuals.

Either way, their total tax bill ends up as \$8,690.50, or \$1,085.50 more than what they would have paid had they remained unmarried. For more information on this important subject, click on [Getting Married? Make the most out of it with smart planning](#). This link will take you to more complete information as to how tax laws may penalize two-income families.

One good way for most people to make extra money without leaving home is by selling items on eBay. This can include just about anything from Hot Wheels cars from the 60's to classic automobiles, and everything in between – whatever you can find that has value to someone else.

Check your closets and your basement. You may have a bunch of stuff just sitting around that could be converted into cash.

If so, a good place to start is this link: [How to Sell](#). This page helps you get started right away with links to important topics such as:

**\$** Selling Overview: 4 easy steps.

**\$** Accepting Online Payments: Fast & Secure with PayPal.

- \$ Learning Center: Sell with confidence!
- \$ Sell Your Item Overview: The listing process, step by step.
- \$ The Perfect Listing: 6 steps to success.
- \$ Sell Your Item Form: Registered and ready to sell?

For example, if you click on the Learning Center, you'll go to a page with both audio and video tours that provide great information on how to sell on eBay. You can also get more information there on specific issues by clicking on links such as eBay Fees, Sign Up for PayPal, Seller Central and more.

Incidentally, the best way to create a description on eBay is do to it in HTML, like you see on a web page, so you can use different type sizes and colors to add interest to your listing. If you do not know HTML, eBay even has a tutorial at this link. [HTML Tips](#). This tutorial shows how to use eBay's HTML text editor.

You can also create your description in Microsoft Word, then save it as a Web page.

If you have a web page editing program installed on your computer, you will be able to see your listing in HTML.

Click View>HTML source.

Then, copy the HTML (not the description you originally typed) and paste it into the Description box for your eBay listing.

Be sure to preview your description so you know how it will look to your prospective buyers.

The trickiest part of selling on eBay is to figure out is how to price the item and what to expect it will sell for. The best way to get a handle on this is, again, to do an eBay search on your item. Scroll down the listing on the left side of the page until you see a section titled "Search Options".

Go there and check the box for "Completed Listings".

Then, check the box "Show Items."

eBay will display a listing of all the items that fit your search term and what they sold for.

Look for items that are very similar to yours and that had two or more bids.

For example, if you are selling a Panasonic DVD Recorder/Player, look for other

Panasonic recorders/players and see what they sold for. Then compare this with the selling price of comparable, non-Panasonic units. You might find that buyers are willing to pay a premium for Panasonic units compared to others.

In any event, this should give you a pretty good idea as to what your item might sell for.

### ***One picture can definitely be worth 1,000 words***

An important thing to keep in mind is that what you show is just as important as what you say.

Depending on the item you're selling, the picture could be more important its description.

You will need either a good digital camera or a friend with a good digital camera to take the best possible picture.

The picture should be saved as a .jpg (JPEG) image and stored to your computer. Put it somewhere that it will be easy to find, such as in a folder on your Desktop.

**Note:** If you do not have access to a digital camera, you can photograph your item using a conventional film camera, then take the resulting photo to your local camera store and have it converted into a digital image and saved to a CD-ROM.

If you do not know much about good photography, eBay has good information about [adding pictures to your listing](#).

### ***Build a business on eBay***

If your intent is to do more than just sell a few of those old items sitting around the house, be advised that building a successful business on eBay is a lot harder than some experts would have you believe.

Like the secret to making money in real estate or the stock market, the secret to success on eBay is simple; buy low and sell high.

So, where can you find things you can buy low and sell high? There are many different opinions on this. We have read experts who say the best places to find items are at garage and estate sales and flea markets. But then, we have also read experts who say garage sales, etc. are a waste of time.

Other experts suggest you find wholesale distributors who are willing to drop ship items for you.



**Drop shipper:** A drop shipper is any company that will let you sell their items online and will then ship the items to your customers (buyers) for you. In other words, you never have to take physical possession of the items, nor do you ever have to worry about packing and shipping things.

This sounds like a great solution and may well be for some sellers. However, our experience is that most of these distributors do not offer true wholesale prices. They are, in fact, wholesalers themselves and mark up their merchandise to you so they can make a profit themselves.

How much should you add to their price? Most experts we've read say that, if you cannot sell merchandise for 20 to 30 percent more than you're paying the company that is doing the drop shipping for you, you're probably wasting your time.

Where does this leave you?

Here's a real life example. We have a drop shipping relationship with a large wholesaler of consumer electronics. Before one Christmas, this company's price to me for a GO.video progressive scan DVD Player/Recorder was \$169.99. If we added a 20 percent markup to this cost, we would have to sell the item for about \$203.00.

Now, go to eBay and search on DVD Recorder/Player. Use the check box "Completed Items" to see what comparable items actually sold for. You'll probably find some sold for \$150 to \$200. Given this, can you really expect to sell that GO.video recorder for \$203?

And remember, you have to sell it for at least \$170 just to break even with the wholesaler.

The good news is that you can make money if you find the right drop shipping company.

For example, right now I'm selling several electronic items on eBay where I clear \$20 to \$22 per sale. That might not sound like much but that's \$300 a month for very little work if I sell 15 a month.

To get more information on drop shipping and eBay, just [click here](#)

### ***Liquidations and close outs***

A third source of merchandise to sell on eBay is companies who liquidate excess inventory for other companies, or who specialize in closeout merchandise.

We have worked with a couple of such liquidators. One of these companies can be found by clicking on this link:

<http://www.liquidations.com/>.

This company specializes in new and surplus computer peripherals, accessories, hardware and software.

Another source for liquidated and overstock merchandise is the Surplus Net which can be reached via this link.

<http://www.surplus.net/>

It offers access to many different dealers and many different products.

However, be aware that you may have to buy in really big quantities to get the great savings. For example, one closeout company was recently offering NorthFace McMurdo 550 Parkas with a retail price sticker of \$299.99 for about \$85 each. The catch is you need to buy an entire lot of 120 of these parkas for a total of \$10,200.

There are numerous other liquidators and closeout specialists on the Internet.

If you do a Google search on the term liquidators, you will end up on the first of many, many pages of companies that liquidate literally hundreds of different kinds of merchandise.

Just remember that you will have to pay for all liquidated and closeout merchandise upfront and take delivery of the goods. Then you have to sell, pack and ship each item.

### ***More places to get the good stuff***

Where else can you find items you may be able to buy low and sell high?

How about eBay itself?

Just go to eBay's home page and use "wholesale lots" as your search term. You'll be taken to a page of all categories where items can be purchased as wholesale lots.

On the left side of this page you will see a list of major categories such as Home & Garden. Under each of these categories you will see the subcategory, "Wholesale Lots."

Click on this link and you will find page after page of home and garden items available in wholesale lots.

We recently did a search of Home & Garden>Wholesale Lots and found a listing for a lot of six 25' chrome tape measures with no reserve and an opening bid of 99 cents.

Suppose you could buy all six for \$6.00 plus shipping and handling. Could you turn around and sell each one of these for, say, \$12.00 and a total profit of \$66.00?

### ***How to profit from bad spelling***

Here's another way to buy low. Not everyone gets his or her listings on eBay just right. For example, some might spell camera as camra. Others might spell Olympus as Olimpus. We could go on and on. The point is that when sellers misspell the title of an item, it will not show up in its regular category. (If you don't believe us, try searching on camra and see what you find.)

What's the point? The point is that potential buyers who search on camera will never see a listing where it's spelled camra. This means there will be fewer bidders than usual and, thus, the item should sell for less (sometimes way less) than normal.

As an example of this, we recently found a vintage Lukos 11 camera (camra) where the only bid was 2.0 GBP or about \$3.76 U.S. We don't know much about vintage Lukos cameras, but who knows? This could be a real steal.

### ***How to find out what's hot***

Before you start buying wholesale or from liquidators (or even at garage sales), you can find out what's hot on eBay.

Each month, eBay posts a list of those categories that they believe will be Super Hot, Very Hot and Hot in the coming month. For example, the category "Cameras and Photos" recently showed that in Level 2, "Printers, Scanners & Supplies," Epson Photo Printers would be Super Hot. And in Level 2, "Digital Cameras," Mini Cameras were expected to be Super Hot. Just go to [Understanding Hot Items](#) to learn more. eBay also has a section that shows its most popular searches called [Pulse](#).

## Appendix A – Check Your Progress

### *How to use this worksheet*

Once you've worked with your budget for a few months, you can use the worksheet on the next page to see exactly how you're doing.

Just fill in column 1 with your original actual expenditures.

Next, fill in column 2 with your new actual expenditures.

Then, compare the two columns.

If column 2 is higher than column 1, fill in the difference as a Negative. If it's less, fill in the difference as Savings.

Add up the Negatives and subtract them from Savings.

This will give you an instant picture of how your new budgeting is working for you.

Is the Savings column a much higher figure than Negatives? Then, give yourself a big pat on the back! You're well on your way to better financial health.



### Your New Budget Worksheet

<b>Category</b>	<b>Actuals Page 12</b>	<b>New Actuals</b>	<b>Negative</b>	<b>Savings</b>
<b>Mortgage payment</b>				
<b>Auto Loan payment(s)</b>				
<b>Auto Insurance</b>				
<b>Other auto expenses (gas, maintenance, etc.)</b>				
<b>Groceries</b>				
<b>Utilities</b>				
<b>Telephone</b>				
<b>Loan Payments</b>				
<b>Life Insurance</b>				
<b>Health insurance</b>				
<b>Entertainment</b>				
<b>Cable/satellite TV</b>				
<b>Eating out</b>				
<b>Savings</b>				
<b>Clothing</b>				
<b>Credit card payments</b>				
<b>Internet</b>				
<b>Home repair/maintenance</b>				
<b>Subscriptions</b>				
<b>Gifts</b>				
<b>Miscellaneous</b>				

## Appendix B: Your Worksheet for Auto Insurance

Ask about discounts for	Company A	Company B	Company C
\$500 deductible			
\$1,000 deductible			
More than one car			
No accidents for 3 years			
No moving violations for three years			
Drivers over 50 years of age			
Driver training course			
Anti-theft device			
Low annual mileage			
Automatic seatbelt			
Airbags			
Anti-lock brakes			
Good student grades			
Auto and homeowners Insurance with same company			
College student away from home without a car			
Other discounts			

## Appendix C: Facts About Credit Scoring

Your credit score may have an impact on whether or not you receive credit, as well as other credit-related issues such as the interest rate you receive from a lender.

Equifax, TransUnion and Experian all determine your credit score based on a formula created by the Fair Isaac Corporation.

Each of the credit bureaus calls their credit score something different.

Trans Union calls its credit score "Empirica", Experian calls its score "FICO," and Equifax has named its score "Beacon."

Your credit score may vary from bureau to bureau, as not all creditors report account activity to all three.

Credit scores range from 400 to 900 with average around 700.

As your score increases, your risk of default also increases.

### *The factors that make up your credit score*

What are the factors that make up your credit score?

**Payment history:** About 35% of your credit score may be based on your payment history. If you paid bills late by 30, 60 or 90 days, this will have a negative effect on your credit score. So will matters of public record such as bankruptcies, accounts that have gone to collection, etc.

**Amounts you owe:** About 30% of your credit score may be based on amounts you owe. If you have an account that is close to its credit limit, that can impact your score negatively. This means that having lower balances on two credit cards may be better than a high balance on a single card.

**Length of credit history:** An account that has been open for a long time can have a positive effect on your credit score. About 15% of your score will be based on the length of your credit history.

**Taking on more debt:** About 10% of your credit score may be based on how much new debt you're incurring. Your score may be negatively impacted if you recently applied for a number of new credit accounts.

**Type of credit:** About 10% of your credit score will also depend on the types of credit you currently have. For example, your score may be adversely affected if you have loans from finance companies.

### ***Other factors***

There are other factors that lenders keep in mind when deciding whether or not to give you credit. They will also look at the amount of credit you can handle in relation to your income, your employment history and your credit history.

### ***If you're turned down for credit***

The Equal Credit Opportunity Act (ECOA) gives you the right to know why within 30 days. You should also get a free copy of your credit report within 60 days.

You can request a report from any of the three credit bureaus (Experian, Equifax, TransUnion).

Keep in mind that a good credit score helps you get access to credit, as well as to a larger amount of credit.

### ***Is Credit Scoring Fair?***

It's fair in that it does not take into account your race, gender, color, religion, national origin, or marital status.

It also does not take into account interest rates being charged on your credit cards and does not include factors such as child or family support obligations or rental agreements.

Credit scoring does not take into account inquiries about your credit score by employers or lenders that were made without your knowledge.

Any information that cannot be considered predictive of your future credit performance is also not included.

### ***What about loans?***

Many financial institutions do not report information to all three major credit bureaus.

If you use just one financial institution, such as a bank, and that institution reports to just one of the three bureaus, your credit report will indicate your activity with just that one bureau.

This could make it difficult for you to obtain other credit, such as a credit card.

To help your credit with other institutions, you could establish credit with a second lender and then make sure you repay that lender in a timely fashion.

For more information on credit scoring go to the Web site [Fico.com](http://Fico.com). It has a great



deal of information on credit scoring, as well as products you can buy to keep track of your credit score.

If you do not have Internet access at home, try your local library. Most of them now have computers which you can use to access the Internet.

***What could create an error on your credit report?***

If you apply for credit, but use a variation of your name which is different to the way you wrote it on your previous credit application, (e.g. Jonathon Smith instead of John Smith).

An error might be made when your data is entered into the credit provider's system. If you see this sort of error on the paperwork you get, be sure to correct the error by notifying the appropriate credit bureau immediately.

Other possibilities for error include:

- 1) You give an incorrect Social Security number, or
- 2) Loan and credit card payments are applied to the wrong account.

Again, if you find out about this when you see your credit report, notify the appropriate credit bureau immediately and have the information corrected.

***Keep a good credit score?***

Experts recommend you do the following:

- 1) Make sure that you pay all your bills on time.
- 2) If you missed a payment to a creditor, get it current and keep it current.
- 3) If you have trouble paying your bills or cannot pay your bills, contact your creditor, or see a legitimate credit-counseling firm.
- 4) Keep your balances on credit cards and other lines of credit as low as possible.
- 5) Try to pay off your debt instead of just moving it around to other credit card companies.
- 6) Do not try to increase the credit available to you by opening new credit card accounts.
- 7) Do not start to open a lot of new accounts if you have only had credit for a short period of time.
- 8) Try to pay off the balance owed on your credit cards every month.

Just closing an account where you are delinquent will not make it go away.

Paying off a collection agency account or closing an account on which you were delinquent will not remove the action from your credit report.

### ***What a credit counselor says***

Evan Hendricks had some interesting things to say about credit scoring in the February 2005 issue of Money magazine.

Here are some of Evan's comments quoted from that article.

"Checking your credit report doesn't include any credit cards or loans that you didn't apply for is the best tool you've got against ID theft. Also, checking your report helps to make sure that your credit score is being calculated on the basis of accurate information. And that matters: The lower your score, the more you pay for a loan."

"Your credit report is a detailed dossier of your whole financial life. It lists all your open credit lines and shows who has looked at your credit report and for what reasons. The credit score is an assessment of your creditworthiness boiled down to a single number that lets potential creditors make a quick judgment on you."

"When you see a mistake on your credit report, dispute it. There's a form attached to your report. Use that, and then you can also attach a very concise letter to explain your case, plus any supporting documentation. Send it to the credit bureau by registered mail and request proof of receipt. One shortcut is to get the creditor to provide a letter saying you're right and this no longer belongs on your credit report."

In terms of checking your credit score: "It's good to know where you stand, but you really need to check it if you're planning on making a major financial transaction in the next 60 days; a home loan, a refinance or an auto loan. Make sure it's a so-called FICO score – that's the one used by 75% of lenders.

Hendricks also says you can improve a bad credit score: "But you can't do it instantly. It's like dieting. It takes patience and discipline. The first thing you can do is look at your balance/credit-limit ratio. The more you can do to get that credit score up, the better."

[Another eBookWholesaler Publication](#)