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## Introduction – Spend Less Than You Earn

Money is one of those things in life that everyone has, yet almost everyone wants more of. Ask a hundred people on the street if they would like to have more money, and it's a fair bet that every single person will say yes!

But is a lack of money really the problem? According to figures from the U.S. Commerce Department's Bureau of Economic Analysis, from 2005 American's actually spent more than they earned. And the US wasn't alone – Australia, the UK and Italy (to name just a few) all have minimal levels of savings. This shift in spending habits from as recent as 20 years ago has resulted in people building up huge levels of debt.

Unfortunately, constantly spending more than you earn (and the ever-increasing level of debt that goes with it) isn't a sustainable situation. You only have to look at the state of the world's economy at the moment to see that.

But it doesn't have to be this way. It is possible to take control of your personal finances, get your debt level under control, build up your savings, and still have a great life.

The ten bloggers who have contributed to this ebook all decided that they wanted to take control of their financial situation. Each of them came to the realisation that enough was enough – they no longer wanted to spend more than they earned, and they no longer wanted to have a large level of debt. It was time to get smart about how they used their money, and make the changes that meant they still had a fun life, but **without** digging themselves deeper and deeper into debt.

Of course, that can sometimes be easier said than done! While everyone in this ebook are at different stages in their journey (some are just starting, while others have already reached their debt-free goals), they all have a passion for sharing what they have learned with others.

This ebook is an attempt to collect the best information they have to pass on. Every blogger included has offered two or three of their best posts that they believe will help the reader **take control of their personal financial situation today**.

You **can** get your money situation under control. You **can** live without debt, and **reap the benefits** that comes from it. What you are about to learn in this ebook will show you how.

A handwritten signature in black ink that reads "Jason Anderson". The signature is written in a cursive, slightly slanted style.

## Lightening – Lightening Online



Lightening is a full-time mother who enjoys finding creative ways to make their single income stretch as far as possible. She sees frugality not as a form of deprivation but more of an empowerment to make informed choices about their spending. Her blog is at <http://www.lighteningonline.com>

(And yes, she knows the correct spelling is “Lightning” - it's a nickname from a friend in year 12 at school).

### **10 Tips For Reducing the Power Bill**

Posted: 4 July 2008 – [Original Post](#)

We recently received notification from our electricity supplier that charges are about to increase. No surprises there. The cost of living is really putting the squeeze on the average household. BUT, we are not powerless (hee, hee - excuse the pun). Now more than ever is a great time to work hard on reducing our usage so that we can reduce the overall impact on such increases.

#### **1. Build Healthy Habits**

One of the biggest wastages of power is the habit of not turning things off when not in use. Cultivate the habit of turning out lights when you leave a room and turning off appliance (if you can reach the power point) when not in use.

#### **2. Make Use of What Nature Has to Offer**

In winter you want to open up the curtains (window coverings) on a sunny day and make sure you close them again BEFORE the sun goes down to trap warmth inside and not allow the night chill to enter the house through the glass.

In summer, it's more important to keep the sun OUT during the day and open up the house at night to take advantage of the cooler night air.

#### **3. Consider Solar Hot Water**

Here in Australia we get quite a LOT of sun. Solar Hot Water systems are getting cheaper and cheaper (and there are now models available that will connect to your current hot water system). Consider not just how long it will take to recoup your costs at the CURRENT level of electricity cost but also the fact that prices WILL rise over the decade or more the system lasts.

#### **4. Dress Appropriately**

I think many of us are spoiled when it comes to temperature control. I hear stories of countries where it is normal to walk around in shorts and t-shirt in winter and just bump up the heat to accommodate. It is honestly not that HARD to wear clothing appropriate to the weather. Around here, if you're not already wearing a jumper AND socks/slippers, there is NO complaining about being cold. The same goes for summer. Wear light-weight clothes and if you have long hair, pull it up off your neck. It's amazing what a difference that can make.

#### **5. Snuggle Up**

Give everyone in the family a snuggle blanket for watching tv during the cold winter mornings and evenings.

#### **6. Consider Using a Slow Cooker for Cooking Roasts**

Despite taking longer to cook, the slow cooker will still cost you considerably LESS to cook a roast than the oven will. And it will taste DELICIOUS. Since starting to use the slow cooker for roasts, I've not returned to using the oven again. If you're a fan of brown crispy outsides you can brown the roast before putting it into the slow cooker or finish it off in the oven.

#### **7. Keep Things In Good Working Order**

Simple tasks like cleaning the filters on vacuum cleaners, heaters & air conditioners, tumble dryers and exhaust fans will enable them to work at peak efficiency. If things get clogged up, the appliance will have to work harder to achieve the same job and therefore you're likely to use more power, more time and lessen the life of the appliance.

#### **8. Line Dry Clothes**

This is actually a reasonably common practise in Australia, although with our lifestyle getting busier and busier it is becoming a lost art in places. Clothes dryers use quite a lot of power so hanging clothes on a line (inside or in a shed, under a verandah etc) can save quite a LOT of electricity/power over time.

#### **9. Use Man Power**

Have you noticed how we seem to have electrified everything these days. From can openers to slicers, dicers, peelers, graters and on goes the list. Once upon a time all of this work was down by HAND. Most of us (me included) have energy to burn so why not use our own instead of plugging in to some force that comes through the power point in the wall?

## 10. Phone Your Power Company

Give them a call and ask them if there is anyway they can suggest to reduce your bill. One quick phone call from us and we managed to secure an ongoing 5% discount. You won't get it if you don't ask.

*[Jason – There were more great tips on reducing electricity costs in the visitor comments, so be sure to check the [original post](#) out.]*

## **Electricity Challenge - In the Kitchen**

Posted: 24 October 2007 – [Original Post](#)

I figured the most logical place to continue my electricity audit would be the kitchen. After all, the kitchen is the central hub of the home...appliances. Nearly everything in the kitchen uses electricity!!!! Have you ever noticed that?

Here's a list of the things in my kitchen that use electricity:

- fridge
- freezer
- microwave
- oven
- grill
- hot plates
- fish tank.... which has \*nothing\* to do with eating I assure you
- breadmaker
- kettle
- rangehood
- dishwasher

Those are just the things that are on or plugged into power all the time!!!!

Then you have:

- toaster
- electric frypan
- foodprocessor
- popcorn maker
- donut maker
- sandwich maker
- pie maker
- hot dog maker..... mmm.... think we have too many "makers"?
- slow cooker 3 lt

## Spend Less Than You Earn – Tips & Advice on How to Have a Great Life & Still Save Money

- slow cooker 6 lt
- kenwood mixer
- juicer
- George Foreman grill
- egg poacher

Scarily enough, there is probably 1 or 2 items I've forgotten we even own. So it's not surprising that the kitchen is responsible for a reasonable chunk of the electricity that we use.

Eating really has a LOT to answer for doesn't it? How often have you heard people say we'd have plenty of money and time if we didn't have to eat? Of course, life would be a lot less fun too!

I have been doing some research into what certain appliances are costing us (approximately) to run.

A 600L fridge costs somewhere around \$0.06c per hour to run. A 450L freezer costs around \$0.03c. This isn't something I can change but keeping them full is supposed to help with their efficiency.

We're also \*trying\* to train our children NOT to stand in front of the fridge for half an hour while they decide what they'd like to eat. Perhaps I need to keep a list on the front of what is in there that they can have so that they don't do this. Hmmmm.....there's an idea. *Note to self: make a laminated A4 sheet for the front of the fridge.*

Come summer, I also plan to keep cold water in one of those esky coolers with a tap so that everyone isn't going to the fridge for cold drinks all the time.

### **Boiling Water:**

I did a little \*test\* this morning with boiling enough water for 2 cuppas which is around 4 metric cups.

Kettle took almost 2.5 minutes to boil. @ 0.45c per minute (27c per hr) that cost 1.12c.

Microwave took 5 minutes. @ 20c per hour that cost 1.67c

Stovetop took 8 minutes. @ 18c per hour that cost 2.4c

Obviously the kettle is the way to go (which we all knew anyway). I also timed the kettle boiling with double the amount of water and it took just over 4 minutes. So you don't double the time to boil double the quantity of water.

Something else I noticed with the kettle was that I could hear it boiling for almost a minute before the automatic cut-out cut in. So I could save myself around half a cent by manually turning off the kettle each time when I hear it boiling.

One thing I could be doing is boiling water in the kettle for things like pasta and rice rather than simply putting cold water into the saucepan. It's one more step for me but would be quicker as well as use less electricity.

### **Cooking:**

To cook a 2kg roast:

Oven takes around 2 hours + (well, mine does anyway) so @ 36c per hour that is 72c

Microwave on convection only takes 2 hours so @ 24c per hour that is 48c

Electric Frypan takes around 2 hours so @ 20c per hour that is 40c

Microwave on combination (part microwave and part convection) takes 1 hour so @ 24c per hour that is 24c

Slow Cooker takes around 4-6 hours so @ 2c per hour that is 8-10c

The slow cooker beats everything else by miles in terms of cost of cooking. Which is great as I much prefer most of our roasts done in there anyway. It's so much easier and my oven is painfully slow for some reason.

My next project is to attempt to bake a cake in the slow cooker. Has anyone already tried that? I wonder if I need a special recipe or whether my usual recipes would work the same?

I do have another plan for summer cooking though. DH is going to help me make a solar cooker! You can find some examples of solar cookers here . When it comes to cooking, well you can't really beat \*free\* can you? :-)

### **Washing Up:**

Here's one I'd rather not know about. A dishwasher costs around 36c per hour to run (on average). Our cycle is around 90 minutes so that's around 54c a day (we run it once a day). Generally all our cooking dishes are washed by hand so the dishwasher takes all the cups, plates and cutlery for the day. I'm not quite ready to give up the convenience of the dishwasher though.

\* Figures based on [Country Energy: Energy Wise Guide](#). All are approximate and will vary depending on the actual cost per kWh from your energy provider as well as the number of watts the individual appliance actually draws.

## **Apple Cider Vinegar**

Posted: 22 March 2007 – [Original Post](#)

OK, here we go. Promised post about my adventures with Apple Cider Vinegar. There seems to be no limit to the number of websites on the many and varied benefits of vinegar for all types of things. There seems to be almost no limit to the number of different kinds of vinegar available on the market either. LOL.

12 months ago I'd never even heard of Apple Cider Vinegar. Now there's a rarely a day when I don't pull the bottle out of my pantry. I still use white vinegar in the washing machine and for cleaning at times but to be honest, I prefer the scent of the apple cider vinegar. And for health, it seems to be the preferred one to use.

**HAIR:** I started by experimenting with apple cider vinegar with water in a spray bottle as a conditioner. From the first use I really loved it but wanted to give it enough time to be really sure I liked it. 6 months later I'm still loving using it. To my latest bottle I have added a few drops of rosemary essential oil. To be honest I don't think it's really added any necessary effect to the condition of my hair. If anything, I have had trouble with too much oil (I tend to have oily roots and dry ends). However, if you're the kind of person who really can't stand the smell of vinegar, it does cover the smell quite nicely (as long as you like the smell of rosemary of course). I tend to mostly spray it into the ends of my hair as my roots really don't need the conditioning. I also spray it directly onto my scalp underneath at the back which is where I can tend to get itchy. It helps with the dryness and itchiness of my scalp. If I have a particularly dry and itchy scalp, it's best to spray it in before I shower so that it can work on the skin for at least 10-15 minutes before being rinsed out.

Now if I can just get the rest of the family using it, I'll be able to strike conditioner off my shopping list for good! :-)) At the moment I don't mind though as they're gradually using up all the different bottles of conditioner I had on hand. DH has really short hair and only uses conditioner very occasionally and the kids hair gets washed once a week so we're really not using a lot of conditioner anyway.

I'm currently experimenting with baking soda as a shampoo. I've been doing it on and off now for several months and haven't yet formed an opinion on whether it's something I'll continue with for the long term. Part of my problem is that I forget to put it in my hair before I jump in the shower so end up using regular (well a health shop, all natural ingredients) shampoo. I'll blog more on that down the track if I ever come to a conclusion one way or another. One thing I will recommend is using it at least occasionally as it does give your hair a really good clean. Depending on how often you wash your hair as to whether it's cleaning powers are too strong to be used for every single wash. Someone did warn me that it can strip any colour from your hair. I currently have foils in my hair and haven't noticed this problem but it's something to be wary of if you do have colour in your hair (that baking soda may strip it out).

**COOKING:** If you scroll down a few posts, you'll find a recipe for an apple slice using apple cider vinegar [[Jason - here](#)]. The original recipe called for white vinegar but as I was converting it from a chocolate cake to an apple slice I decided it made sense to use apple cider vinegar.

**SALAD DRESSING:** I was using a fat free french dressing on my lunch-time salads but started to find it a bit too sweet so converted to a capful of apple cider vinegar. The health benefits of regular use of apple cider vinegar are many and varied (I'll list some at the end of this post).

**HOT DRINK:** One easy way I find to include apple cider vinegar in my diet is as a hot drink. Just add 1-2 capfuls of apple cider vinegar and a teaspoon of honey to a mug then pour in boiling water and stir. It takes a little bit to get used to but really isn't too bad as a drink. It's especially good if you're developing a sore throat to kill the bugs and help your body fight whatever is causing the sore throat. The last 2 times I've started developing a sore throat I've used this and gotten rid of the problem within 24 hours.

### **VITAMINS AND MINERALS IN APPLE CIDER VINEGAR**

Vitamin C, Vitamin E, Vitamin A, Vitamin B1, Vitamin B2, Vitamin B6, Provitamin beta-carotene, Vitamin P

Potassium, Calcium, Magnesium, Phosphorous, Chlorine, Sodium, Sulfur, Copper, Iron, Silicon, Fluorine

Source: <http://www.anyvitamins.com/apple-cider-vinegar-info.htm>

### **SOME OF THE HEALTH BENEFITS OF APPLE CIDER VINEGAR**

Assisting weight loss by boosting a sluggish metabolism and helping with the healthy functioning of the bowel

Reducing cholesterol, lowering blood pressure, reducing calcification in arteries

Assisting with fluid regulation in cells, reducing fluid retention, reducing excess sodium in the body

Magnesium and other minerals are important for good bone health and to reduce muscle cramps

Assists healthy functioning of the liver, kidney and gall bladder

These are just a few of the benefits that have been found. If you do an internet search on apple cider vinegar you're sure to find many many more. As with all things there are varied opinions and I have no medical background. I just figure a little bit in my diet certainly can't hurt.

**Be sure to visit Lightenings site – <http://www.lighteningonline.com>**

## Amy Bass – My Debt Free Goal



Amy Bass has a goal to pay off \$72,900 worth of debt in 2 years by making money online. You can read more about her and how she has paid off over \$50,000 worth of debt so far with almost 6 months left to go. Her blog is at <http://www.MyDebtFreeGoal.com>

### ***How to Reach your Financial Goal***

Posted: 31 May 2007 – [Original Post](#)

If you ever want your money to work for you then you need to tell it what to do.

If you do not know what you want your money to do, you will find your money going to waste month after month.

Knowing what you want needs to be the first step in the process of creating wealth.

When determining your financial goals, always begin with the end in mind. What sort of financial shape do you want to be in 20 years from now? What sort of lifestyle do you want to be living?

Do you want your house paid off? Do you want to be paying for your children's college education? How much do you want in retirement savings? What age do you want to retire at?

For example, I have set a goal to be debt free by April 2009. This is going to be tough considering the fact that I am \$72,900 in debt right now.

When you are planning a road trip, the first decision is always where you want to go. The answers to the above questions will be on our financial road map to tell us the destination for our money.

The second step in planning is knowing your short term goals. What do you want to do in the next 2-5 years? Do you plan to have a baby? Buy a home? Buy a different vehicle? Go on a large vacation? Pay off your credit cards?

The answers to these questions are the roads you will follow on the journey to your ending destination.

Next we need to determine what needs to be done on a daily and monthly basis to be able to meet at of your goals. It is best to break each individual goal down into steps so you can feel a sense of accomplishment after each step is completed.

Here is an example on how to break a large financial goal down into steps:

Goal- Save 20% for a down payment plus money for closing costs on a new home

1. Save 3% for closing costs on my new home
2. Save 5% towards my down payment
3. Save 10% towards my down payment
4. Save 15% towards my down payment
5. Save 20% towards my down payment

This gives you five milestones to celebrate and helps keep you on track so you don't get overwhelmed by the big picture. During each step just concentrate on getting through that one step as quickly as possible.

This will give you focus and drive and by having the steps small and obtainable it will keep your motivation level high.

I find that having a definite goal with a set date gives me the motivation to keep going. I have been paying down debts by earning extra money online.

If your financial goal is to save I suggest you try an [ING DIRECT - High Yield Savings with 4.50% annual percentage yield](#). They are a really great bank and I have always enjoyed using them.

### ***Is it better to get rich slow?***

Posted: 22 May 2007 – [Original Post](#)

We have all heard stories of people who have gotten rich overnight just to lose or blow their money in the course of a few years.

This is where the age old saying: "Easy Come, Easy Go" comes from. If this is the case, isn't it better to get rich slow instead of get rick quick?

First of all, not everyone has the chance to get rich quick. There can only be so many lottery winners and only so many people are able to pick that one magical stock that goes up 1,000% in value over the course of a year.

However, it is within everyone's grasp to become rich slowly. Anyone can become rich, it will just take some people more time to get there than others.

The first step in getting rich is to get control of your income. Income is our most valuable wealth building tool that we posses. I am not saying you have to go out and get a job that pays \$100k or more. You can still become rich even on a modest salary.

There are actually two ways to get control of your income, that is to increase your incoming money and reduce your outgoing expenses.

The best way to reduce your outgoing expenses is to get on a written budget and pay off your debts. The quicker you pay off your debt, the sooner you can start building your wealth.

Debt is like a sickness to your wealth. It corrodes away at your income and costs you more and more each month as the interest builds. That is why it is so important to get rid of it and not take on any more debt ever again.

The one exception to this debt rule is when you buy a home, but if you want to continue building wealth, don't let your mortgage payment be more than 25% of your take home pay.

After you get yourself out of debt you need a little nest egg for emergencies. The last thing you want to have happen on the road to wealth is to be debt free then have an emergency come up that you cannot afford. That would put you right back where you started, in debt again.

You should save about 3-6 months of expenses in an emergency fund and keep this in a nice savings account at the bank. This will give you security and aid you on the road of slowly becoming rich.

When you got your debt paid off and your emergency fund in place, you should be sitting fairly well financially. No longer is your income coming in only to be sent to creditors. You finally have a choice of what to do with your money. Now, instead of paying interest, you can start earning it and letting it work for you.

This would be a great time to really kick start the retirement savings. Putting at least 15% of your income away for your golden years.

Getting to this point early is important, so the magic of compound interest can do its job. You now have the freedom to save, invest and give money away as you see fit.

A lot of people think it is a great idea to use extra money to pay off their mortgage in order to free up even more of their income.

Imagine all the investment possibilities you can have when all of your income stays with you to be used as you see fit.

Remember from the story of the tortoise and the hare, slow and steady wins the race.

## ***I Have Paid off \$60,000 in Debt Since May 2007 By Making Money Online!***

Posted: 28 November 2008 – [Original Post](#)

I cannot believe it. In May 2007 I started off with \$72,900 worth of debt and now I am down to \$11,518.34! That is over \$60k paid off! My goal was to pay it all off by April 2009 and to be honest with you I think I may reach my goal even sooner.

I honestly thought that my goal to pay off \$72,900 worth of debt in 2 years solely by making money online was going to be IMPOSSIBLE. I mean, I knew nothing about internet marketing or earning cash online. I could never have imagined this future and the success I'd be able to create.

I truly feel led by my life's mission to help others do the same, which is why I created [The Niche Blogger](#). You will never know where your future will lead you, but you can put yourself on the path of prosperity by taking steps down the right road.

I am really excited for the day when I can finally yell out "I'M DEBT FREE!!!" Soon... very soon. Being this close is giving me a ton of momentum!

Yipeee, I could not think of a better Thanksgiving present. Instead of shopping on black friday I sent off a huge payment to my debt and I got to tell you, it feels so much better.

**Be sure to visit Amy's site – <http://www.MyDebtFreeGoal.com>**

## Tsh Oxenreider – SimpleMom



Tsh Oxenreider is a writer, a graphic designer, a wife and mama, and a home manager extraordinaire. Her far-off fantasy is to take a cooking class from Ina Garten and build an eco-home from scratch with her hubby. In the meantime, she'll settle for making some killer brownies and doing her best to frugally decorate her high-rise urban apartment.

You can find Tsh writing about life hacks for home managers at [Simple Mom](#), one of the most popular and fastest-growing mommy blogs on the web. Her blog is a member of the exclusive [9 Rules](#) network, and she's also a member of the [Life Skills Network](#) and a [Wishpot Mom Expert](#). In her spare time, she runs her photo card business, [Chickpea Designs](#).

She loves coffee, and she hates wearing socks.

Follow her on Twitter ([@simplemom](#)).

### ***Keep Your Spending Tidy With an Envelope System***

Posted: 29 September 2008 – [Original Post](#)

We use cash for most of our day-to-day purchases. A lot of this has to do with where we're currently living - not as much is online, and not many mom-n-pop stores here take plastic - but even stateside, we rely a lot more on cash than on plastic. I'm not here to debate the security issues of using a debit card versus cold hard cash (maybe I'll dip a toe in that water one day), but overall, I can positively say that using old-fashioned cash with the tried-and-true envelope system for everyday purchases works well for us.

#### **The Benefits of Cash**

- You can't spend money you don't have. Many bank accounts provide overdraft protection, so even with a debit card, it's easier to go over your account balance than you think.
- You're more aware of what you're spending - if you're using an envelope system, that is. Yes, it's unbelievably easy to let cash slip through your fingers when you're not paying attention to it. It can be slightly easier to keep track of purchases with a bank statement. But if you're willing to keep a daily record of what you're spending, it's not hard to keep track of cash at all - and you save money in the process.
- It hurts more to spend cash, so you don't spend as much. I've heard [Dave Ramsey](#) say this before, and I think it's true - it's a bit numbing to swipe your card at the store. But it's more

painful to pull out a wad of 20-dollar bills to pay for those jeans. You're more likely to think through your purchases, and therefore, not spend money where you just don't need to.

### **An Envelope System, Simplified**

Here's how we create our envelope system.

(Note: my husband receives his salary just once monthly, so we have a pretty cut-and-dry monthly budget. If you get paid every two weeks, it would probably be easier to create a workable system where you fill and spend envelopes according to your paycheck. In other words, work with your cash flow, not with a system that you think you should have.)

1. About a week before the new month, we create our next month's budget (we use [Pear Budget](#)).
2. When our salary hits our account (and we can predict down to the hour when the money will appear), we act immediately. Basically, on payday, one of my household management tasks is our bank accounts.
3. I look at our monthly budget, and total how many of those categories we'll spend in cash. That's how much money we need to withdraw from our bank.
4. I leave a couple hundred in the account to serve as padding for bank and bill mistakes (and for us, we also need padding for fluctuating exchange rates). I also make sure to leave enough money for our online bills and expenses. But then, I go ahead and withdraw enough cash to fill our envelopes, right then and there.

We fill our envelopes with the cash needed for each of these categories (which we figured out when we did our monthly budget). When the cash runs out, that's it for that category.

### **Keeping Track of it All**

Let's say I need to hit up the grocery store for my regular weekly trip. I take a generous amount of cash from the grocery envelope (though not all of it), put it in my wallet, and head to the store. If I'm not replenishing an enormous amount of groceries, I keep a general till in my head as I shop; otherwise, I pencil in a rough amount on my grocery list. I usually round up, to be safe. The reason I don't put the exact amount down to the cent is because I'm rather an idiot at math - I keep it simple so that I can total it up in my head.

Because I've kept track of my grocery selections, I'm confident of my estimated total as I head to the register. I pay in cash, and I immediately label the receipt "groceries" before putting it in my wallet.

When I get home, I empty my receipts and put them in our designated spot near the front door. As I mentioned in my [ebook](#), we have a landing spot for things like keys, sunglasses, and shoes by the front door. Well, we also have a receipt dump.

Once a week, I take all our receipts, which are (hopefully) all labeled with our expense categories. I then enter them in to our Pear Budget account, complete with appropriate tags to keep track of our categories. And of course, I also enter our online expenses and income, too.

### Spending Money

You might remember when I described [how we create our zero-based budget](#) that we specifically have categories designated as free spending money. It's not much, but both my husband and I each get a set amount each month to spend on whatever - coffee is usually my purchase of choice. We put this money directly in our wallets, and we make sure to keep that separate when we have money from another envelope. When our spending money is gone, it's gone until the next month.

### A Few Answers to Predictable Questions

*Q: Are they real envelopes?*

Pretty much. They're plastic zippered pencil pouches, and we keep all of them together in a basket on our desk. They're labeled with each of our categories:

- groceries - this includes anything we'd get at the grocery store, such as toiletries
- household - this is different from one month to the next, but it includes things like a new bath mat, or a printer cartridge, perhaps
- public transportation - metro, bus, and taxi fares (it'd be the equivalent of gas for those of you with cars)
- dining out & family fun - restaurants, movie rentals, perhaps a fun treat for the kids, like a trip to the zoo

*Q: Do you carry around a ton of cash?*

No. We leave our cash at home, and take it with us when we're purposely going out to spend the money. Yes, there are times when we're out that we need to make an unexpected purchase - but it's not often. An envelope system curbs our impulse purchasing power, which is one of the real benefits. But when it does happen, we either use cash from another category, then adjust accordingly when we get home; or we use our debit card, and label the receipt with that category name immediately before putting it into our wallet.

*Q: What about unexpected things?*

Real life happens, of course, and there might be times when we need more grocery or transportation money than we thought. In that case, we juggle money around from the other envelopes. It's good to stay flexible, but the money has to come from somewhere. As much as I'd like it, my superpower is not making money magically appear, and our family doesn't use credit cards. It's only logical that if we need more grocery cash, then we either need to make more money, or take it from another category.

*Q: What if you spend money on more than one category at the same store?*

I don't split hairs over it - I just spend cash for one purchase, then make a note on the receipt of what was from a different category. For instance, if I bought household supplies at Target, and while I was there I bought a DVD for our family, I simply tick the DVD on the receipt as "family fun," and enter that separately on our budget record. I'm hoping that Pear Budget will soon be able to split receipts into multiple categories, like the painfully overloaded Quicken.

I know that in this digital age, spending cash is almost considered a faux pas. That's okay with me, though - we spend less money when we do, and that's more important. We've never lost the money, and since the envelopes are only for a few spending categories, it's not as much money around our house as you might think.

Thanks to [ING Direct's](#) incredible ability to create umpteen jillion accounts for free, we pretty much use the envelope system for our online purchases as well. The system is called [sinking funds](#), and we have individual online savings accounts, all with ING, labeled things like Christmas, clothing, and giving. As we spend money online from our checking account, we simply transfer the exact funds from the appropriate savings account. It's beautifully simple, really.

## ***Zero-Based Budgets for the Home: A Primer***

Posted: 19 June 2008 – [Original Post](#)

Budgets have a bad rap because they're seen as shackles. Instead of getting to do fun things with money, budgets make you do boring things, like pay the gas bill, and not go out to eat.

Not necessarily. Whether you realize it, you do have a budget. Your budget might reveal that morning lattes are worth 13% of your income to you, but it's still a budget.

Living on a budget simply means telling your money where to go - it doesn't handcuff you from spending it.

Ever feel like money somehow vanishes every month? We did too, until we started regular budgeting. More specifically, until we started planning monthly, [zero-based budgets](#).

Zero-based budgeting is basically putting a name to every dollar that comes your way. It starts with your income side of the equation, and line by line, the total subtracts as you allot amounts to each category, until you are down to zero.

The goal is simply this:

**income minus expenses equals zero**

I'll show you an overly basic example.

The McSimples bring home \$3,000 a month. So that's the number they start with.

**INCOME:** \$3,000

**EXPENSES:**

- giving - \$300
- mortgage - \$1,000
- utilities - \$500
- groceries - \$500
- insurance - \$200
- gasoline - \$firstborn
- **TOTAL EXPENSES:** \$3,000

\$3,000 - \$3,000 = \$0

There's no "miscellaneous" category. There's no money set aside for "just in case," because you've already planned where every cent is going. Even if it's going to savings, it's going somewhere.

The key to what the McSimples did was that they planned their month's expenditures on what they were actually going to bring in that month. They didn't budget what they thought was ideal for each category, and then hope that amount comes in that month. That's not even budgeting, really - that's just writing down on paper what they wish they could spend money on. I like how [Amber](#) coined it in the comments section yesterday - "[prediction-based budgeting](#)."

So the key difference to a zero-based budget is that you look first at the numbers on the income side of the equation, and then you make your expenses work within the boundaries of your income. It balances. Which means, you actually have the money you're allotting.

So the next question to consider is - if you were to write a zero-based budget for your family every month, would you keep track of it? Do you just set the paper aside and hope for the best? Do you walk around with it in your purse, analyzing every single number until you're cross-eyed walking around Target and scared to death of putting anything in your cart?

I encourage you - prepare a zero-based budget as part of your home management every month. And then regularly (such as weekly, like what I do), enter your expenses to stay on top of how well you're sticking to your budget. As the month progresses, you can see how well - or not so well - it's working, and tweak it from there. I promise you it doesn't take much time when you stay on top of it.

This is also infinitely easier to do when you have a smart, simple tool that subtracts expenses from your budget as you record them. And since this is Simple Mom, after all, I prefer a tool that's as light and easy-to-use as possible. No bells and whistles that I really don't need for everyday family finance management.

I'll tell you more about this little gem of a tool tomorrow. But even better - I'm giving you a chance to win the use of this tool for free, for life. Yep, you read correctly - it's almost time for another giveaway. Find out tomorrow.

## **10 Surprising Side Effects to Money Management**

Posted: 5 June 2008 – [Original Post](#)

I love [reading your blogs](#) full of excitement about looking into [Dave Ramsey's concept of financial freedom](#). The idea of a "[total money makeover](#)" truly has been eye-opening and freeing for our little family. We never relied heavily on debt, but we still never thought we could actually be financially fit. It always seemed like something other people were able to do, but not us.

You know what else? Working this plan has provided other unexpected side effects. And they're wonderful. Here are a few:

1. My husband and I both work out our finances together. I'm still the budget maker and bill payer in the family, but since we make the decisions on how the money is allotted, we have to make the time to communicate, come to an agreement, and project our monthly financial plans. We're more unified in our marriage than we've ever been.
2. We eat healthier. Again, this has never been a major issue, since I prefer cooking from scratch, but because fresh ingredients are cheaper (in the long run) than boxed food, we eat well. And we eat frugally! I'll write more on our monthly menu plans in the near future.
3. We have less stuff. Because every dollar is accounted for in our zero-based budget, we know whether we have the funds to buy that random coffee cup or candle. More often than not, [we don't even want that kind of clutter-fying stuff](#) because we have written down financial goals. And those are far more important than those cute dessert plates at Target. Every cent counts.
4. Because we have less stuff, [our home is easier to clean](#). Our small amount of storage space (in our one closet) is mostly well-organized, we know where things are, and surfaces are basically empty. This makes cleaning much quicker.
5. And because we have less stuff, our home is also more visually serene. It's a simple place without much clutter, so it's usually peaceful.
6. We talk about money with our daughter. Sure, she's only 3, but [she can understand basic concepts](#). She'll be aware of our family's financial goals because we're okay with talking out loud about money with her. It's not a taboo topic, because money's not scary to us.
7. We're actually aware of where we are financially. We know [our net worth](#). We know exactly how much [we'll have set aside for Christmas this year](#). That's a great feeling. Such peace.

8. We have goals - financial goals - and they're reachable! It might take awhile, but I don't doubt we'll have [6 months of expenses in savings](#), at least a [20% down payment for a house](#), and [plenty for retirement](#) when the time comes. Knowing that they are possible breeds excitement about the future and contentment in the present.

9. We have some money to spend on whatever we want, guilt-free. In our monthly budget we've allotted a small amount for each of us to spend on anything at any time. Passing by a Starbucks and craving a latte? If I have personal money left still in the month's budget, I can buy one without feeling like I'm blowing cash on stuff I should be using for the electric bill. It's in the budget.

10. I know more financial stuff. Before my introduction to Dave Ramsey, [Roth IRAs](#), escrow, [mutual funds](#), [ESAs and 529s](#), and even [sinking funds](#) were really confusing. But because he targets the average American with little financial knowledge, it's simple enough for me to understand. And cooler than that, I actually enjoy flexing my financial smarts. I feel in control because I get it.

I'm not saying all this to specifically advocate [Dave Ramsey](#). I'm just encouraging you to take control of your family's finances. But I also want to convince you that you can understand money - and Dave Ramsey just might be the best teacher for you.

And if you find a workable plan for handling your money, you might also be surprised to find other unexpected blessings flowing your way.

**Be sure to visit Tsh's site – <http://www.simplemom.net>**

## Kelly – Almost Frugal

Kelly is American and lives in France with her three children and handsome French frog of a husband. She blogs about frugality for the rest of us at [Almost Frugal](#), frugal food at [Almost Frugal Food](#), and blogging at [Pretty Your Blog](#). She is a full-time graduate student in marketing and, in her spare time and fueled by strong coffee, she sews baby blankets for her [Etsy shop](#).

Follow her on Twitter ([@AlmostFrugal](#))

### ***The ABCs of Frugality: 26 Key Frugal Concepts***

Posted: 23 July 2008 – [Original Post](#)

**an Apple a Day** It keeps the doctor away, we all know that. But fresh fruits and vegetables are some of the most frugal foods you can find in terms of the nutrition:cost ratio. Sure, a bag of oreos might cost less than five pounds of apples (but probably not), but by choosing a piece of fruit as a snack you save calories and get vitamins. So in the end, it really does keep the doctor away, and with the exorbitant cost of health care in the United States, that's not a bad thing.

**Budgets** Being frugal means being on top of your money. What better way to keep on top of your money than by using a budget? In fact, for me it's the only way, as the 'spend until we have nothing left' plan [doesn't really seem to work](#). Pear Budget, excel sheets, pen and paper, the envelope system... they will all work, if you use them.

**Catnip** Looking for a frugal toy for your cat? I've found that my three furry snobs reject out of paw the fancy balls and stuffed mice found at the pet store. What they go for most is some [home grown weed](#)... catnip of course! For the price of one small toy, get a kit that keeps on giving. And you'll be decorating your home as well, two for the price of one. Think outside the box when it comes to pet toys; paper bags, cardboard boxes, marbles are all big fun for our three beasts.

**Diapers** I'm a big fan of cloth diapers, both for frugal and for economic reasons. But the diapers I'm referring to here aren't for covering your baby's butt... they're for cleaning your toilets and floors. I've found that the really [thick prefold diapers](#) (the kind you have to fold and pin into shape on a baby) are perfect for cleaning and the more you use them, the more absorbent they are. They almost make cleaning toilets enjoyable. Almost. So, no more chemically impregnated throwaway wipes, use and reuse a diaper instead.

**the Environment** Have you noticed how [green and frugal decisions](#) tend to go hand in hand? Consume less? Frugal and green. Buy local food? Frugal and green. Drive shorter distances and less frequently? Frugal and green. Whether you make your decisions out of an ecological motive or an economic one, the end result is often the same.

**Freecycle** can be an excellent way to [practice frugality](#). Looking for something in particular? Post a request on your local group's site. Trying to get rid of something without paying to take it to the dump. Offer it to others. I've gotten pots and pans, laundry detergent, a baby crib and gotten rid of too many things to mention here.

**Goodwill** Thrift stores should also be known as treasure troves, as long as you only buy [what you have use for](#). I find that if I go on a regular basis with a shopping list in mind of what I really need (not what I really want, and there is a difference) then I don't buy too much. Clothes, books, household supplies: why buy new? Remember, as soon as you buy a 'new' item it becomes used. And by buying used you are often able to afford better quality than if it were new. A final added bonus is that often times proceeds from thrift stores support local charities either directly or indirectly.

**Handy work** Know how much plumbers charge? A lot, especially on Sunday evenings. Or how much does it cost to repaint a dog-chewed door... [more](#) than you want to know. Are your pants too long? The local going rate is €15 to have them hemmed, about fifteen minutes worth of work. Wouldn't you like to save yourself €60 an hour? Handy work can come in very handy; if you know how to do it yourself you can save yourself a lot of money. Don't know how to do it yourself? Check out [Back to Basics](#).

**ING** or any other online savings and checking account are great ways to manage your money. I like [mine](#) because it's not linked to my checking account, meaning that my savings are out of sight and out of mind. Sometimes, unfortunately, they're a little too out of mind, when I forget to add to them, but automated transfers can solve that problem. Many online accounts allow you to create various sub accounts, meaning that you can see your emergency fund, new car fund, vacation account and down payment stash progress nicely.

**the Joneses (and not keeping up with them)** If there's one way to shoot yourself in the foot, no matter what, it's [comparing yourselves to others](#). Sure, maybe your neighbors have a nice car and take a ton of long weekend trips, but how are they paying for it? You don't know. If you really want to live a frugal life than you can only compare yourself to your goals and ambitions. Measure the progress you make against them, not the neighbors. Which leads me to...

**Know your goals... and your limits** Why are you frugal? What do you have or hope to gain? Is it paying off past debt, avoiding new debt, saving for a specific goal or for ethical and philosophical reasons? Knowing your goals will better help you to achieve them. On the other hand, you have to know your limits as well. As much as I hate the idea of spending money on [eating out](#), I also know that I [go crazy](#) if I have to cook [too many meals](#) in a row.

**Leftovers** When planning and preparing a meal, make enough for [leftovers](#). You've then cooked once, something that can be eaten two, three or more times as the case may be. You don't have to eat it immediately either, that's what freezers are for! Leftovers can be taken to work as the next day's lunch, saving your spouse the need to buy a sandwich or starve.

**Menu planning** Whether you plan your menus [before](#) you go shopping or [after](#), menu planning can be a valuable tool in your frugal toolkit. it helps you to use your food the most efficiently, with the least waste possible (I've heard that Americans throw away up to one third of the food they buy). And by

knowing what you are going to make and eat for dinner you are better prepared to resist the siren's call of the Golden Arches.

**Networking** I am a huge believer in [the power of networking](#). It can help you in many ways, not the least of which is being frugal. If you know someone, or know someone who knows someone, then you have a personal relationship with that person. That relationship can help you get the things you need as long as you remember that networking is a two way street and a three step process: first you give, then you receive then you give back again.

**Online checking** Part of doing a budget and making it work is keeping up with your money. An online checking account can help immensely. Just log on every morning while sipping your morning coffee and log in the previous days' expenses into your budget sheet. That's what I do... [theoretically](#) at least!

**My Points** can be a great rewards program... a program that helps you earn gift cards in exchange for just a little bit of time. They send you emails and you earn points for reading them. I've earned enough points to be able to give away [\\$30 in gift cards](#) and I'm more than halfway towards another \$10 Target card. How does this help you be frugal? Well you wouldn't turn down \$40 cash, would you?

**Questions** Unless you're a born expert (and I know very few people who are) asking questions is the best way to get ahead in life. Want to learn how to cook so you don't have to eat out as often? Ask someone who's good in the kitchen. Looking for the best haircut at a decent price? Ask someone whose hairdo you love. Want to learn how to be frugal? Start leaving comments and asking lots of questions on [your favorite blogs](#). Remember, you'll never get anything if you don't ask, and the worst someone can do is say no.

**the second R** Reduce Reuse Recycle are environmental keywords. But Reuse should be a frugal keyword as well. Reusing something in a way different from its intended purpose is a great way to save money and express your [creativity](#).

**Soap** As I was cleaning my [kitchen](#) the other day, I realized that I didn't have any 'typical' cleaning products on hand- nothing to scour, scrub or shine with, and what's more, I hadn't had any of those products for years. It's not that I don't clean my kitchen, of course I do, it's that I use the basics: clean rags, a sponge, soap and water. (And of course vinegar, but there's more on that below.) I don't spend money on expensive cleaning products and I don't have to either. I read an interesting tip a while back: when you finish washing the dishes and your sponge is still soapy, give a quick going over of the appliances or counters. Then toss the sponge in the dishwasher for cleaning.

**TV** Don't go to the movies, or spend a lot of money in a club. Have a family movie night. Tivo a favorite film, make a bowl of popcorn and settle in for a frugal night together. Just don't get sucked into the commercials. One of the things that most struck me when I first read [The Tightwad Gazette](#) was a pop quiz: when a new movie comes out you a) run out to see it right away, b) wait six months to rent it on video or c) wait ten years to see it on network TV. I bet you can guess the correct (frugal) answer.

**Unplug** And when you're finished watching the movie, turn the TV off- at the source. Unplugging appliances instead of merely turning them off can save a considerable amount of power and therefore money. The same thing goes for things like phone recharger or the computer. There are fancy plugs that allow you to disconnect all the accessories when you turn off one main object (the printer, scanner and stereo when you turn off the computer for example) but I go the low tech route and unplug it from the wall.

**Vinegar** Is there a better all purpose substance? You can use it to condition your hair, refresh the washing machine, dress a salad, unclog the sink (with a little baking soda), get the gunk out of the coffee pot, shine your floors, bake a cake... the list goes on and on. Good stuff that vinegar, and cheap too!

**Water**, water everywhere and not a drop to drink. I remember as a child being able to drink my fill out of a public drinking fountain just about anywhere. And now they seem to be disappearing faster than you can say 'Thirsty, thirsty'! Carrying a refillable bottle with you, be it made of [glass](#) or [aluminum](#), is still cheaper than buying a drink on the go. It's better for you too, and kinder to the environment. Not to mention that people tend to be more irrational when they're hungry or thirsty; swigging water in the aisles at Target may just help those impulse buys from landing in the cart.

**eXpensive** It's not necessarily a bad thing when something costs a lot of money, as long as you can afford it, buying it fits in with your goals and it is a [good value for the money](#).

**whY are you on this frugal journey?** You know your goals and you know your limits, but do you know your [motives](#)? Why are you saving to buy a house? Is it because you've always dreamed of having a home of your own, or is it because that's what you're supposed to do when you're thirty and married?

**Zzzzs** Getting your sleep can help keep you sane. Anyone with a colicky or teething baby can attest to that. And just as people can avoid making irrational decisions by staying hydrated, staying well-rested helps as well. Plus, is there a more frugal activity than catching some ZZZs between your sheets?

Now you know my ABCs. Won't you try and sing with me? What can you add to the list?

## ***How to Look Fabulous, Frugally: Part One***

Posted: 27 October 2008 – [Original Post](#)

This is the first in a three part series on revamping your wardrobe, frugally.

Today we're looking at how to determine the kinds of clothes you need, for all the [different roles](#) in your life. For a long time I worked in jobs where my work wardrobe and my non work wardrobe were one and the same. I didn't have different clothes for different occasions. I barely even had dress up clothes, and when I did, it always felt a lot like playing dress-up.

Now however, it's a different story. As I transition roles from teacher, to stay-at-home mom, to graduate student to (hopefully) well paid professional, my wardrobe has to transition along with me. Except... it's not so easy to redesign your look and your wardrobe when you have limited time to go shopping, a limited budget to buy clothes and an even more limited interest in fancy clothes. I do need to change my wardrobe though, and I need to do so frugally.

The first step in creating a fabulous, frugal closet full of clothes is to identify what kinds of clothes you need to wear. Why should you identify what kind of clothes you need before taking the plunge and delving into your closet? Because doing so will give you a road map of what to look for in what you have and what you need. This approach will save you money in the long run, as you don't have to wonder if you need something and will use it, or just really want to buy it.

I have five different category of clothes that I need. The first kind of clothes are the **grungiest**; those needed for painting projects or gardening. The hole-iest of hole-iest, they are clothes that I wouldn't wear on any other occasion. One step up on the respectability ladder are clothes that I like to change into when I get home from school, or that I **loungue around** the house in on Sunday mornings. While I don't mind taking the garbage cans out in these outfits, I wouldn't want to be seen at the grocery store while wearing them, but they're not bad enough to paint in yet. Public respectability is no longer an issue with my **nice casual clothes**, these are the sorts of clothes I can wear to a meeting with my child's teacher or even to school some days. I also need to have **business clothes**, nice enough to wear to an interview or in a formal business environment. The final category is for **fancy dress clothes**, which I need every once in a blue moon; your life might be more glamorous than mine!

The second step before buying is thinking about what you already own.

I've gone as far as breaking down how many of each kinds of clothes I need. For example, on the far ends of the spectrum, I need just one grungy outfit (leggings and t shirt) and one nice little black dress that will carry me anywhere. I also only need one lounge-around-the-house ensemble, because, after all, when do I have time to lounge around the house? I need a much wider selection of casual and business wear however.

There are five questions to consider when you look at your clothes. What you do after answering the questions is a judgment call. The goal is that you empty your wardrobe of clothes that you don't wear.

1. Do I love this?
2. Does this look good on me?
3. Do I wear it?
4. Is it in good condition?
5. Does it fit into one of the categories of clothes I need?

Other bloggers discussing this topic:

- [Frugal Fu asked herself similar questions](#) and ended up donating 80% of her wardrobe to the Salvation Army.

- On Simplicity describes [four other methods of cleaning out your closet](#).
- My Two Dollars shares [how to let go of those old clothes](#).

[Jason – the other two parts of this series can be found here: [part 2](#), [part 3](#)]

## **Frugal Pets: Five Tips**

Posted: 22 October 2008 – [Original Post](#)



Meet the latest addition to our family: Rosie. She is not a cloth covered box, she is in fact, a kitten. And you'll have to believe me when I say that although most kittens aren't very cute as a general rule, this one will knock your socks off with her adorableness.

But enough drooling for the moment, let's talk instead about being able to afford Rosie.

Pets cost money. In fact, any time you bring a new responsibility into your life it costs money, be it for a child, an animal or a new car. And before taking on a new obligation, it is important to think of what is involved. I'm not going to talk about what kind of pet works best for your family or lifestyle, because that is a choice that you have to make for yourself. On the other hand, once you have made the choice to adopt an animal, there are many ways that you can take care of your new beastie frugally.

First up is where you acquire your animal. We got Rosie through our local Freecycle group so we didn't pay anything. Another frugal choice is the local animal shelter. If you absolutely must buy a certain breed of animal, try the envelope method, and save up until you can pay cash.

Once you have your new pet at home, you need to feed and entertain him or her. We didn't have any extra upfront expenses because we already had cat food and dishes, litter boxes, toys etc. I did add a feeding station and litter box upstairs, using repurposed children's bowls for food and water and an old dishpan for a litter box. Use a cloth placemat or a dishtowel under the food and water bowls; for large dogs you can use rag rugs. My stepmother feeds their dog from a metal pie plate, my cats eat from thrift store finds.

Don't buy lots of toys either! Like small children, most animals will be more intrigued by the wrapping than by the object within. As shown in the above picture, Rosie is fascinated with one of my daughter's stacking blocks. Any small object that rolls will occupy a kitten for hours, while puppies like to chew anything and everything. Try knotting old sports socks together, one inside the toe of the other, to make a hard, rope-like teething object. These [adorable felted wool balls](#) were intended for children's toys, but I think that they would make cute cat toys too. Another toy idea, also via [The Crafty Crow](#), is this way to [turn your child's drawings into cat toys](#) from What Knot.

## Spend Less Than You Earn – Tips & Advice on How to Have a Great Life & Still Save Money

When it comes to food, don't skimp on quality. Here, as with your health, prevention is the best cure. Buy a good brand of pet food, although you don't necessarily need to pay for the best, and your pet will thank you with fewer health problems and smaller vet bills. Supplement his or her diet with healthy snacks, like carrots for dogs or pieces of well cooked chicken from your dinner. Exercise your animal as well, with regular walks or play sessions. You'll be better for it too.

While feeding healthy food will lower your vet bills, it won't get rid of them entirely, and it shouldn't! Your pet needs regular medical checkups (as do you) and should be vaccinated against the most common illnesses. Most cities (in the United States and in France) have a low cost vaccination clinic. You can also ask your veterinarian to recommend the most necessary shots, as well as the generic version. Some medications can be given cross-species as well. It might be cheaper to buy the human version of the treatment for your dog's arthritic knees, than the canine version. You should also spay or neuter your pet, as this too reduces potential medical expenses.

Adopting an animal is not a decision to be taken lightly. But once you do, your new pet can be a happy and frugal member of your home for many years to come.

**Be sure to visit Kelly's site – <http://www.almostfrugal.com>**

## Jason Anderson – Live To Budget



Jason is just an average married guy who realised one day that unless he and his wife made changes to how they were handling their money, they were going to end up in serious trouble. His site at [Live To Budget](#) is an attempt to both journal their recovery from high-debt to debt-free, and a place to pass on what he has learned about personal finance during that journey.

Follow him on Twitter ([@JasonGA](#))

### ***Give Yourself A ‘No Spending’ Day***

Posted: 24 November 2008 – [Original Post](#)

This is a great idea if you’re trying to teach yourself to cut down on frivolous spending (and save money in the process). You know the type of spending I’m talking about - grabbing a drink from a shop while you’re out because you’re thirsty, getting a packet of crisps or a chocolate bar to snack on in the afternoon, buying takeaway on the way home because you don’t have any food in the cupboard, etc. It is also a useful method for getting you started on planning ahead.

The idea itself couldn’t be simpler. Pick one day of the week where you won’t spend any money. And then on that day... don’t spend any money! Nothing at all. No grocery shopping, no buying a DVD, no takeaway, no snacks, no coffee on the way to other places - nothing.

“But I never have any food in the house! What about buying my lunch at work? I’ll starve if I do this!” So decide ahead of time what you’re going to eat for breakfast, lunch and dinner on your no-spend day, and then make sure you buy the necessary items at least the day ahead. Take your lunch to work, and cook from your cupboard and fridge when you get home. You might find getting your dinner ready much quicker if you know ahead of time what you’re going to have, and you don’t need to go out to get ingredients.

Of course, the main aim of this process is to learn new habits (don’t buy unneeded extras, plan ahead). But because it is only a single day, it’s not some terrible new regime that will make your life miserable and you’ll want to quit after the first few days. No one can honestly claim that trying this no-spend idea on just one day a week is arduous!

And who knows - after a couple of months you might extend your no-spend days to a few additional days during the week. Imagine how much money you could save if you did that!

(My day is Wednesday by the way :-))

## ***After You Have Created The Budget***

Posted: 20 November 2008 – [Original Post](#)

Creating a budget is a fantastic first step towards creating a better financial future. But it is just that - a first step in a lifetime journey. It's what comes after that first step that determines how successful you are in the long run!

In no particular order, here are four points to keep in mind after you have taken that first step.

### **1) You need to stick to your budget.**

This is the most obvious thing (and also the hardest one). Once the budget is in place, you have to ensure that you stick to it. If you budgeted \$100 a week for food, you have to try and spend \$100 (or less) a week on food. If you see a nice jacket in a store but you've already spent your clothes money for the month, you'll have to come back another time.

But if you do overspend on your budget, or give in to the urge to buy something that wasn't in the budget, don't beat yourself up. Figure out why you broke the budget (were you carrying extra cash at the time? did you have your credit cards with you?), work out what you can do to stop it from happening again, and get back to the budget.

### **2) Don't be afraid to tweak the budget - especially in the beginning.**

A budget isn't set in stone, especially in the beginning. Despite all your best efforts, it's almost certain that there were one or more uncommon expenses that slipped your mind when you created the budget. Or you may have thought (or hoped) that you spent a certain amount of money on a particular category - like food - but in fact you really spend more.

If you missed an expense, the solution is simple - add it in to your budget, and take it into account every pay period. If you underestimated an expense, make doubly sure that it really is an underestimate. But if it is, simply change the figures in the budget to the new value and work with the new value from now on.

### **3) Remember to account for new and changing expenses.**

It's an unfortunate fact of life that the cost of living continues to go up. On the plus side, wages usually tend to go up as well (we'll leave the debate about if they go up at the same rate for another day). You need to update your budget to take into account both changes.

For expenses that are variable (like the electricity bill), every few months you should go through the same process you did when you first came up with the average value - look at the past few bills, and work out what the average cost is. For expenses that are usually fixed (like a mortgage repayment), simply enter the new value in your budget when you find out about the change.

(Of course, for something like a loan repayment you might want to consider paying the old amount if the repay amount drops, just so you can pay the loan off faster).

#### **4) Start again if things change.**

Sometimes your life situation totally changes. You might move half way across the country for a new job. You might start (or stop) living with your partner. Maybe your kids move out of home, or you find out you have a new kid on the way. Whenever a major event like this happens, it is a good idea to go right back to the beginning with your budget and recreate it all. Not only is this a good way to be on top of your new situation from the very start, but it also gives you a good chance to look at all your expenses to re-consider if you really need to spend all the money you currently do.

Hopefully these tips are useful to you!

### ***Start a Grocery Budget Limbo***

Posted: 10 November 2008 – [Original Post](#)

The grocery budget is a category that has caused me a lot of problems in recent years. Not back when budgeting properly (unsurprisingly). But during the recent years when I had (foolishly) stopped budgeting, the food budget usually went way over what I planned (hoped) to spend.

Now that I've returned to the budgeting fold, it's proving difficult to reign in and get back to a reasonable level. But I've just read about an interesting idea that I plan on using that encourages everyone to keep focused on reducing the food budget.

I learned about it on [Lightening's frugal living blog](#) (in turn she learned it from another blog - you've got to love the blogging world!) The idea is you start a grocery budget limbo.

In case you don't know what it is, the limbo is a fun (and silly) game where you take turns in trying to slip under some sort of bar (a broom handle or the like) without touching the bar or the floor (and without leaning forward). The bar is progressively lowered until the winner is able to go under such a ridiculously low height that you have no idea how they managed it! :-)

Lightening's suggestion is to start doing the same thing with your grocery budget (although doing it very slowly - over many months, if not a year). All you basically do is reduce your grocery budget slightly for the week/fortnight/month that you set the budget, and try to cope with the new amount. Each drop should be small (maybe only \$1 in an already tight budget, but perhaps \$5-\$10 if you feel confident that you can make some savings, or you know you have an inflated food budget).

The key is that any reductions are a small amount, and once you have made the change you wait a budget period or two before you make the next drop. The reason for the small and gradual drop is so

## **Spend Less Than You Earn** – Tips & Advice on How to Have a Great Life & Still Save Money

you only have to make a minor change or two to stick to the new budget, which means you don't have to feel like you're "suffering" with the reduction. And at the same time, you're managing to save a few extra dollars that you can put to work on other things (like reducing debt).

This sounds like a fantastic idea to me, and one I'm going to impliment starting this fortnight. Now I've just got to work on keeping to the budget ;-)

**Be sure to visit Jason's site – <http://www.livetobudget.com>**

## Blunt Money

Blunt Money is a re-married mother of one who lives in the southwestern U.S. She's had over \$15,000 in credit card debt and has been divorced, employed, unemployed, self-employed, underemployed, etc. She is currently working on saving & learning about investing, and building her very small businesses. She and her husband are working on paying off their mortgage (which is their only debt). Her blog is at <http://www.bluntmoney.com>

### ***What everyone should know about personal finance***

Posted: 21 October 200 – [Original Post](#)

You hear people talking about how personal finance should be taught in school. So I got to wondering, what are the things that everyone should know about personal finance? Here's my list, in no particular order.

Everyone should know how to...

- [Choose & open a checking and savings account.](#)
- Balance their checking account. (And that they SHOULD balance their checking account.)
- Create a workable spending plan (aka a budget).
- Guesstimate the amount their take-home pay will be from a job.
- Negotiate starting pay and pay increases.
- Figure the amount of discounts.
- [Grocery shop wisely.](#)
- Pay a bill (and what those due dates really mean).
- Avoid getting into trouble with credit/debt.
- Return an item.
- Ask for discounts.
- Negotiate on big-ticket items.
- Complete a basic tax return.
- Possibly save money on taxes.
- Figure a tip.
- Check their credit report.
- [Tell if something is a scam.](#)
- Watch out for fees & the “nice” things that banks & credit card companies offer.
- Calculate the true cost of buying an item over time.
- Read the fine print.
- Save for long and short-term financial goals.
- Pay themselves first (and last).
- Understand how interest is calculated (both interest paid and interest received.)

## ***You can get one thing***

Posted: 3 July 2008 – [Original Post](#)

When my son was a little boy, I would regularly bring him to the grocery store with me. And as any parent knows, as soon as kids can point and talk, they want you to buy them things when you're at the store.

This is normal human behavior: see stuff, want it, try to get it. But of course no parent can buy everything; and even if you could, it wouldn't be a good idea. Sometimes getting stuff (even as adults) isn't in our best interests. Stuff may cost too much, it may be unhealthy, we may want to use our money for other things, we may not have the room or the means to care for the things, we may just be feeling a fleeting desire that we'll forget all about in 5 minutes, etc.

So I saw these trips to the grocery store as teaching moments. I wanted to teach my son about money, stuff, and how you really can get the things that you want most. I also wanted to preserve my sanity on the shopping trips. So I decided to tell him yes to everything he said he wanted, with one condition: he had to pick just one thing.

When we got to the grocery store, I'd tell him "You can buy one thing. You can get whatever you want, but just one thing." He'd ask me if he could get pop tarts and I'd reply with sure. Gatorade? Sure. Ice cream? Gogurt? Gum? Candy? Yes, yes, yes, yes, if that's your one thing. You decide. It's up to you.

When he was really little, his one thing would change with practically every aisle. He was constantly putting stuff back and getting something different instead — sometimes even right up to the checkout line. But as he grew older he became more sure of what he really wanted. It appeared to get easier for him to decide. He could cut through the things that only looked good at the moment for what he wanted most.

Maybe this is an extreme way of thinking about things, because of course we can have more than one thing in our lives. But it's a good way to think about the power of choice. Every choice we make (and even the choice NOT to choose) affects our life. The choices add up. If we focus them on what we want MOST (whether it's retirement savings, to get out of debt, or a trip to Antarctica) we'll be much more likely to get them. We can't have everything, but we can have the things that mean the most.

## ***Laughing at public transportation***

Posted: 24 June 2008 – [Original Post](#)

Where I live, it's pretty common for people to literally laugh if you suggest that they use public transportation. "I can't do that," they say. "The bus doesn't even come out here, and if it did it would take hours to get to where I work on the bus." Comments like that are common even IF the people in question have just been talking about trying to save money on gas. They are excuses, and the people don't even seem to realize it.

While it might be true (especially in our area) that the bus doesn't go to certain places, or that it could take an hour or two to get somewhere, that does not equate to "I can't do that". It equates to "I don't want to do that", "It's not worth it to me to do that", or (most often) "I'm not being creative enough". People don't seem to realize that their current choices affect the things that they can easily do in the future or present.

For example, I live on a bus line. It's not an accident either. When house hunting, I made it a point to actively TRY to find houses that were near a bus line, or at least within biking distance of one. At the time, there were two bus lines within a mile's walk of the house. Now there are 4-5 different lines, including one that stops right at the end of our street. We're also within biking or walking distance of several colleges, many many businesses of all types, a mall, several movie theatres, the library, museums, etc. Plus we're near a variety of freeway on-ramps. I also work within a five minute drive/30 minute brisk walk of our house. Until recently, my husband did as well.

None of that is an accident. When I was looking for a job, I refused to take a job that would require a commute. I just refused. Yeah, it took longer to find a job. Yeah, toward the end I was getting anxious and actually thinking that I might need to drive a ways if I didn't want to run out of money. But you know what? Even if I had had to do that, I would have kept looking for something closer. A commute is not set in stone. You can change jobs.

It's also possible to MOVE to be near where you work, if you like your job but not the commute. It's possible to work at home, to telecommute, to use a combination of transportation methods, to carpool + bus, to bike + bus, etc. We all have choices, and we're not stuck with the same choice forever. Change your assumptions about what is possible and be flexible in what you're willing to do, and a whole new world will open up.

I've found that you should never say never. There are things in my life that I'd thought I would never do. But not only have I done them, most of them weren't nearly as bad as I'd thought they would be. In fact sometimes it turned out that I enjoyed them a whole lot MORE than what I'd been doing before. Give things a good try. Don't automatically rule them out with excuses.

**Be sure to visit Blunt Money's site – <http://www.bluntmoney.com>**

## Jeff – MySuperChargedLife



Jeff is the author of [MySuperChargedLife.com](http://www.mysuperchargedlife.com) where he regularly writes about living life to the fullest. His articles provide tips and motivation in the areas of excellence, personal finance, entrepreneurship, and finding adventure. He is a proud father and has been happily married to his beautiful wife for over 16 years! Jeff invites you to visit his site at <http://www.mysuperchargedlife.com> and let him know what you think of his articles.

### ***Now Is A Good Time To Be Living On A Budget***

Posted: 11 November 2008 – [Original Post](#)

Living on a budget is always smart, but it is a particularly good idea right now. The facts about the poor economy keep piling up. I'm not an alarmist and I don't want to over-sensationalize the economic situation, but I do think we need to face reality. No one knows for sure, but there could be some very tough financial times ahead. This may necessitate the need for living on a budget.

#### **The facts that make budgeting attractive right now**

We have enjoyed many years of prosperity, but times may be changing and if they do, then every dollar is going to need to have a job for us to survive financially. Here is some recent news that is worth noting:

##### *1. Unemployment is at a 14-year high*

In October, [240,000 people lost their jobs](#) and therefore their income. Most of us think it won't happen to us, but how long could you survive financially if you lost your job? Ford recently announced it was cutting 10% of its workforce. Unemployment has been on the rise all year and it is very likely that this trend will continue for awhile.

##### *2. Weakest retail sales in 39 years*

This [October was the weakest in terms of retail sales since 1969](#). Many retailers saw as much as a 10% drop in sales with the holidays just around the corner. Things typically start to pick up in October. Many feel this indicates we will see slower than normal growth in sales in the 4th Quarter. Of course, this is the time of year that many retailers make their money.

### *3. The stock market continues to tumble*

We usually see a bump in the stock market right after a Presidential election, but not this year. In fact, in the two days after the election, the markets dropped another 10 percent. It has been a wild rollercoaster ride lately with stocks and most of us have seen a decline in the value of our investments. Hopefully, the market will hit the bottom soon and things will start to get better, but it is better to be safe than sorry.

All these indicators point to less than stellar health in the economy. It is not time to panic, but it is time to take action.

#### **The good news is you can be a financial hero!**

At this point, you might ask, “Where’s the good news, Jeff?” I don’t mean to be a downer. I’m tired of hearing all the bad news about the economy as much as you are.

However, it is important we face the facts and prepare ourselves. I’d hate to go on about my business, not say anything, and see people suffer when there are simple steps everyone can take to weather the potential financial storm.

You need to start living on a budget to prepare yourself and your family in the event things get worse before they get better. This action will help you mitigate the impact of a recession on your family finances. You will be the hero!

#### **Steps to take to start living on a budget**

There are a few simple steps you can take to start getting things under control and ready for what may lay ahead. It isn’t hard to do these things, but the pay off could be huge.

##### *1. Fire the old you and hire a budgeting genius*

Given the present state of your finances, would you hire yourself to manage your money? Think of your home as a small business. Would you hire you to run it?

If not, then fire your old self and start fresh with a new you. Now is the perfect time to make some changes and get things in order.

Sure, there may be some resistance, but there always is when change is necessary. Be an agent of change, be a leader, be the one that becomes a [budgeting](#) genius and saves your family finances!

##### *2. Train yourself to be a budgeting genius*

How much time have you spent learning and training to do your job? Whether you work for yourself or for someone else, I imagine you have spent a great deal of time becoming the expert you are in your job.

Now, how much time have you spent learning to manage your personal finances? Have you trained yourself properly? Your job generates your income, but what you do with it after you earn it is equally as important.

Fortunately, I recently put together a free list of [79+ Brilliant Budgeting Resources You'll Love](#). This is a great place to start training yourself on how to live on a budget.

This resource doesn't just include my advice, although you will find a few of my articles listed. It has links to articles from a wide-array of personal finance writers. If you start with it, you will soon discover a wealth of information to help you become the genius you want to be.

### *3. Locate some useful budgeting tools*

Most people that are serious about [budgeting](#) use some kind of software to help them manage their finances. Personally, I use a package called YNAB Pro. I wrote a [review of YNAB](#) awhile back explaining why I chose it.

Of course, this is not the only software available to help you manage your budget. There are a lot of others including systems like Mvelopes, Mint.com, PearBudget, Quicken, and even some homegrown systems. You will find reviews of these systems in my [list of budgeting resources](#).

I do want to point out that you don't need to spend a fortune in order to start [budgeting](#) your money properly. This would be completely counterproductive. A good tool helps, but it doesn't need to be expensive or complicated.

### *4. Just budget it!*

Nike says, "Just do it!" and I say, "Just budget it!" Your budget doesn't have to be perfect. It probably won't be at first. You will most likely make some mistakes. You will go over in some areas and under in some others for the first few months. Don't let any of this frustrate or deter you.

[Budgeting](#) is a learning process. It will take some time to work out the kinks. The most important thing you can do is to simply get started.

Living on a budget is like starting to exercise. You probably won't want to do it even though you know it is good for you. You may even grumble about it and dread it for awhile, but if you just do it, you will wake up one day and realize just how good it makes you feel. This is financial freedom starting to blossom!

### **Living on a budget is a very smart move**

There is no better time than right now to start your personal finance budget. The economy is crazy, but for most of us there is still time to get things under control. I don't think the worst of the financial crisis has hit home yet, but even if I'm wrong, you will be a lot better off living on a budget.

## **How To Avoid Buying Things You Do Not Need!**

Posted: 9 July 2008 – [Original Post](#)

*“Many a man thinks he is buying pleasure, when he is really selling himself to it.” ~Benjamin Franklin*

Why do I constantly want stuff that I don't need? It seems that there are certain items that I am continually attracted to buy even though I probably wouldn't use them if I bought them. Why does this happen? What makes certain items so alluring? It seems to be the same things that keep popping into my head over and over. I convince myself that it would be a waste of money and then a few weeks later, I'm looking at the same thing again! Do you ever struggle with this sort of impulse to purchase things you don't need? If so, how do you deal with it?

### **I struggle to keep from buying an iPod or MacBook.**

I don't know what it is about Apple products right now, but they seem almost impossible to avoid buying. I constantly keep coming back to the idea of purchasing an iPod or MacBook. They are both cool, but I certainly don't need either one. I guess it is the popularity of these products that keeps pulling me back.

Marketers do a fantastic job these days of selling us an image. It is just cool to own Apple products. After all, who would you rather be? The geeky Windows guy in the commercials or the cool, laid back Mac guy?

Most recently, I've been looking at the iPod Touch. It is a sweet device. I'll admit that I am especially susceptible to buying gadgets. However, when I stop and really think about it, I know I would get a Touch, play with it until the newness wore off, and then it would sit idle on a shelf most of the time. I don't listen to that much music and why watch a video on such a small screen when I can just watch it at home? If I traveled a lot, then I could see where something like the Touch would be valuable.

### **Why worry about buying things?**

Isn't buying things we want a privilege we earn from working? Many people use this reasoning or something similar to justify buying whatever they want. They usually charge these items on credit cards. This is how they sell themselves to their pleasures as Ben Franklin states in his quote above. They get in debt and then instead of being able to enjoy what they bought, they become [slaves to the lenders](#). They have to work harder and longer to support their artificial lifestyle.

Purchases of a few hundred dollars add up quickly to thousands of dollars. On top of that, if you carry a balance on your credit card, you will pay on [average 12-14% interest](#). These rates can skyrocket quickly if you are late on even one payment. In addition, you may become subject to [late fees and penalties](#). All this to get something that isn't even used or enjoyed. No thank you!

### **How to avoid buying things you don't need.**

I had a recent flare-up of the wants lately so, in order to help myself deal with this, I've researched some ways to overcome buying things I don't need. Here's the very best suggestions that I found:

#### *1. Make yourself accountable to someone that's frugal.*

If you often buy things you don't need, then get an accountability partner that is naturally more frugal than you are. Tell someone in your life like a spouse, sibling, or close friend that you are trying to curtail your spending and you need their help. Ask them to talk you out of items you don't need. Just knowing that you are going to have to answer to someone for buying the latest gadget will help you to stop and think twice about it. My wife often helps me in this area.

#### *2. Don't go shopping.*

This one may seem obvious, but boredom often gets the better of us. Here's how it goes. We have some free time with nothing to do and before you know it we are out at the mall or surfing the online stores. Either way this is dangerous! I often disguise this as research. I'm just checking into the features of the latest gadget. I most recently got sucked into wanting the iPod Touch by participating in a survey that promised to give three of them away. I started looking at the Touch to see if it was worth the time it would take to complete the survey. Of course, this was just fuel for the fire.

#### *3. Cut up your credit cards and use cash.*

I know this is radical, but it works. For some reason, it is just mentally easier to charge things on a credit card. When you have to count out cold, hard cash to make a purchase it makes you stop and think. At least, this is my experience. It is a lot harder for me to let go of my money when I'm holding it in my hand. I think that credit card balances are abstract, but cash in hand is very real. If you can't go as far as cutting up your credit card, then give it to your accountability partner or at least stow it away at home. This will help you avoid those impulse buys.

#### *4. Feed your mind vitamins of frugality.*

Our minds operate a lot like a computer. Garbage in, garbage out. Therefore, if you are trying to avoid buying things you don't need, you should find as many good inputs as possible that feed your mind the right ways of thinking. I do this by following [good personal finance blogs](#), listening to [Dave Ramsey](#), and reading [great books](#) that stress simple and frugal living. I think of these things as vitamins for my mind. They strengthen my resolve to hold on to my money.

#### *5. Decide in advance how you are going to use your money.*

A budget, done correctly, helps you decide in advance every month exactly how you want to spend and invest your money. You give every dollar a name and tell it precisely what you want it to do for you at the beginning of the month. Once you have a spending plan or budget in place, then it is easier to avoid

buying things you don't need. It is often because we don't have a plan for our money that we spend it on impulse.

*6. Be careful about who you hang out with.*

We are strongly influenced by the people around us. Who are you usually with when you make frivolous purchases? You may want to avoid this person for awhile until you get your financial footing. If you do have to be around people that you feel are a bad influence, then try to arrange it so that you are doing something other than going to the mall or shopping. Go to the park or plan an outdoor adventure instead of going somewhere where you'll feel tempted.

*7. Always sleep on it before making a purchase.*

Give yourself a financial timeout. You can always wait until tomorrow before making a purchase. In the meantime, talk to your accountability partner about the purchase, feed your mind some frugality vitamins, and review your budget. If you still feel the purchase is a good one and you have the cash to buy what you want, then go for it!

### **Get control of yourself and start winning with money!**

Take it from a recovering over-spender, it is possible to stop buying things you don't need. It just takes some forethought and planning. The suggestions above are what work best for me. By implementing these things in my life, I have been able to [pay off all my debt except for my mortgage](#) and I've started [saving to pay cash for a newer car](#). I am living-proof that it is possible for someone to turn their life around and start winning with money.

## ***Things I Learned Living on a Budget - Part 2***

Posted: 6 March 2008 – [Original Post](#)

Yesterday in [Part 1](#), I wrote about how people often resist the idea of living on a budget and how I used to be one of those people until I learned that a budget is the path to a wealthier, freer, and simpler life. Yesterday was about the big picture. It was about how [budgeting](#) has impacted my thinking and attitude. Today, I want to share a few of the more practical lessons I learned from the daily discipline of living on a budget.

Here are the first five items in this list. I'll post the remaining five in Part 3 tomorrow.

### **1. \$100 is a lot of money.**

I know that when I was a kid I thought \$100 was a lot of money. I remember being in awe of a \$100 bill. However, somewhere along the way, I lost my respect for the value for this sum of money. It didn't matter whether it was an expense or income. I just didn't feel like \$100 mattered much. Maybe it was because I usually didn't physically see my money. I mainly used plastic cards instead of real cash.

However, living on a budget and using cash has taught me to once again hold \$100 in high regard. It is amazing how far \$100 goes and how much power it holds when you are in control of it and using it for a specific purpose.

## **2. Food tastes better when you eat out less often.**

My wife and I enjoy going out to eat. Before we had a budget, we went to restaurants all the time. It is a form of entertainment for us. However, we were often less than excited about it. We had a hard time deciding where to go. We did it so often that it lost its feeling of being fun and special. Once we saw what we were spending on eating out, we had to cut way back. The unexpected benefit is that now it has brought back the excitement of going out to eat. It is special again and the food just seems to taste better.

## **3. Shopping is not entertainment.**

When did going to the mall become America's number one pastime? It seems shopping that shopping is now the way people spend much of their free time. Marketers do a fantastic job of selling us the lifestyles we think we want. However, after the buzz wears off, we are usually left with a [feeling of emptiness](#) and buyers remorse from our latest spending spree. My budget has taught me to avoid going to the mall so I don't fall into this trap.

## **4. Things can be fixed.**

We are a consumer culture. There is no question about it. We are misled into thinking that when something develops the tiniest of flaws that we should throw it away and go buy new. Of course, retailers love this mentality. However, my budget taught me that this was stinking thinking. Several months ago, the agitator in my washing machine wouldn't turn anymore. I did a little research on the Internet and found the most likely cause was a \$5 part that took me only 15 minutes to install. It has been working perfectly ever since. I am not that much of a handyman, my wife would testify to this, but immediately assuming that something needs to be replaced when it breaks will only lead you to the poor house not to mention what it does to the environment.

## **5. Getting a true deal is exciting.**

America is the land of the sales flyer. How can retailers make money when they are seemingly always selling everything for 75% off? They jack up the initial price knowing that they will need to lower it later to make us feel like we are getting a good deal. Dave Ramsey suggests, "Never pay retail!" This has been my motto for the last couple of years. As Ron at The Wisdom Journal points out, it is possible to [time the markets to get good deals](#). Timing is probably the single biggest advantage we have as buyers to get bargains. In business, if you buy near the end of the month, year, or quarter salespeople are always more anxious to make a deal to boost their numbers. As an individual, I have sold several large items such as boats and cars at bargain prices when buyers had cash and were ready to make an immediate deal. Now that I have better control of my money, I hope to use this same technique to my advantage.

## Spend Less Than You Earn – Tips & Advice on How to Have a Great Life & Still Save Money

Living on a budget has changed my thinking for the better on several fronts. It is hard to understand how valuable [budgeting](#) really is financially and emotionally until you've done it for a significant period of time. As I stated yesterday, I'll never live any other way. If you don't have a budget, I hope this series of articles will inspire you to give it a try. I included links in [Part 1](#) that can help you get started.

I'll wrap this up tomorrow with a list of five more items. So far, it has been a great exercise for me reflecting on what I've learned. It really drives these lessons home.

*[Jason – Part 3 of this series of articles is [here](#)]*

**Be sure to visit Jeff's site – <http://www.mysuperchargedlife.com>**

## Randall – Credit Withdrawal

Randall runs [Credit Withdrawal](#), a blog dedicated to sharing the experiences of people that have decided ‘Enough is Enough’ when it comes to consumer credit debt. By sharing information, stories, and pointers, it may be possible to help others decide to take control of their finances, and by extension, their lives.

### ***The Debt Snowball Fight - Pt 1. Lowest Balance First (Dave Ramsey)***

Posted: 27 August 2007 – [Original Post](#)

I really like the various methods of debt elimination, cumulatively know as the Debt Snowball, to get rid of debt. But there are different flavors and varieties that fit different needs. This series will examine the three most popular forms of the debt snowball, their advocates, and my experience using each.

1. Lowest Balance First (advocated by [Dave Ramsey](#))
2. Dead on Last Payment (aka: DOLP, advocated by [David Bach](#))
3. Highest Interest Rates First

Today we’ll focus on the Lowest Balance First snowball. First a short intro; If you’re seriously trying to get out of debt, you’ve already heard of Dave Ramsey, and if you haven’t, you aren’t SERIOUSLY trying to get out of debt. Dave is a strong-talking, no-holds-barred advocate of people getting completely out of debt. His decades of experience mentoring people to get rid of debt with such statements as “The borrower is slave to the lender” and the screaming of his followers “I’m/we’re Debt Free!!” is inspiring on a visceral level. Love him or hate him, he’s absolutely determined to get you out of debt. To accomplish this, he advocates a debt snowball that orders all the bills in a smallest bill first sequence.

#### **The Lowest Balance First snowball works as follows;**

- 1) Take all your bills, subtract all the ones w/o ends (utilities, etc) and list them, from lowest balance to highest.
- 2) Pay the minimums on all the bills except the first, and pay as MUCH as you can on that one until it’s gone.
- 3) Continue to the second bill, adding the amount you paid on the first before it was paid off and pay that one,
- 4) Lather, rinse, repeat,.. and so on down the list of bills until the last bill is gone.

Then (optional, but highly recommended),

5) Call the Dave Ramsey show and give the "We're Debt Free!!" scream.

**Pros:**

- Easy to set up.
- Easy to follow.
- Quick results.

**Cons:**

- Overall, more interest paid with this method than others.

**Overall:** The Dave Ramsey debt snowball, as Dave himself has said numerous times, isn't about the math. It's about the forming of a habit of paying off debt. It reinforces the habit by giving early positive feedback that people might not get with the DOLP snowball or the High Interest snowball. The whole point of the program is to stay on it, and this early reinforcement helps those just starting out to do just that. This is the snowball for those just getting their act together. It's easy to put together, easy to stay on, and just plain easy to explain. The extra interest paid over the life of the plan is minimal, and is more than made up for if the simplicity of the plan causes people to follow through with it.

An additional recommendation though, would be to re-assess your situation after 6 months to a year after being on the plan and deciding whether to continue on as-is, or to switch to one of the other two debt snowballs to save some interest. After about 6 months, the paying off of bills has moved from an impulse (1-2 months), to a habit (3-5 months) and finally to a lifestyle (6 months+) so hopefully there should be little chance of falling back into the habits that caused the indebtedness to begin with.

### ***The Debt Snowball Fight - Pt 2. Dead on Last Payment (David Bach)***

Posted: 28 August 2007 – [Original Post](#)

Today we'll focus on the Dead on Last Payment snowball. David Bach, famous for the [Automatic Millionaire](#) line of books and financial advice, is also a long-running guru of getting out of debt and automating your finances so that things don't screw up. I hadn't heard of David before I started doing some of the financial cleanup I had embarked on, but his DOLP method and my home-grown debt snowball were like brothers from other mothers.

I've worked to automate as much as my finances as possible so that the various banks, credit card companies, bill companies, etc. can't get any more over-the-limit penalties, late payment penalties, bounced check costs, or any other cash they shouldn't really be entitled to.

David is a more calm voice than Dave Ramsey, but the drive and logic of the approaches he advocates still ring true. Both are wanting the same thing ultimately, to get you out of debt. David depends more on showing you the ‘debt elimination system’ or the logical side, than Dave, who concentrates on the mental and emotional side. Both are excellent counselors.

**The Dead on Last Payment snowball works as follows;**

1) Take all your bills, subtract all the ones w/o ends (utilities, etc) and then create a payment to balance ratio.

$P/B \text{ Ratio} = \text{Balance Due} / \text{Minimum Payment}$ .

This should give you a rough order-of-magnitude number for the amount of time in months it’ll take to get rid of the bill normally. It doesn’t take into account interest rates, just the amount due. All the bills are then ordered from lowest P/B Ratio to highest.

2) Pay the minimums on all the bills except the one with the lowest Ratio, and pay as MUCH as you can on that one until it’s gone.

3) Continue to the second lowest Ratio, adding the amount you paid on the first before it was paid off and pay that one,

4) Lather, rinse, repeat,.. and so on down the list of bills until the last bill is gone.

**Pros:**

- Easy to follow.
- Quick(er) results.

**Cons:**

- Overall, more interest paid with this method than others.
- Slightly more setup.

**Overall:** The David Bach DOLP debt snowball has the advantage of having fast initial feedback, while still allowing a more in-control feel. While I was using this one I saw the bills go away quickly, maybe not quite as quickly as with Dave’s snowball at first. The feeling of getting rid of the ‘low hanging fruit’ bills, the ones that could be paid off in a relatively short amount of time, kept me motivated to continue. It also gave me a pretty visible dividing line between the early, easy to get rid of bills, and the heavier, take-a-while bills. It inspired me somewhat similarly to long distance running. I was getting warmed up with the easy bills, and wasn’t disheartened by the bills in the distance, because I knew the race had only begun.

I personally used this one more than the Dave Ramsey snowball, only because it also fed the ‘geek’ in me to do the calculations, and I had thought I had discovered it myself. (I didn’t, I just hadn’t heard of David and his method). The only reason I don’t still use this one, is I feel I’ve graduated from habit to lifestyle, and I’m moving on to the Highest Interest Rate First snowball.

But, more of that tomorrow.

[Jason – The third part of this series can be found [here](#).]

## **Best Personal Finance Idea of the Year**

Posted: 17 December 2007 – [Original Post](#)

[Mrs Micah](#) has inadvertently started a meme going around the PF Blogosphere about the Best Personal Finance Idea of the Year, so I thought I’d jump on the bandwagon too.

My Best Personal Finance Idea of the Year (and of all time) is **Automate Your Finances**

By automating your finances you don’t have to worry about missing card statements, of not contributing to retirement accounts and of having penalties and late fees tacked on to your credit card bills.

### **Automate the Bills**

The first thing to do is to look into getting a bank account with on-line access and Free Bill Pay Service. I use Bank of America, and have since they started on-line banking. Everyone’s opinions differ, but I’ve never had any problems with BofA in the years I’ve been with them.

Once you have the account, then you set all your sources of income to direct-deposit to this account; salary, paychecks, whatever, you want it all to come to this central account.

### **EBills are your friends**

Next, gather EVERY bill that you pay regularly. Enter them into the banking system you’ve chosen as payees. After they’re entered, they can be paid from the bank account (NO MORE WRITING CHECKS OR USING STAMPS). Next step is to see how many of the bills are EBill capable

*EBills - Many companies today allow the billing and payment of their bills automatically. From your bank account you can ‘subscribe’ to your utilities’ or credit card’s EBill service, and the monthly statements will be delivered (in electronic form) to your bank. From there, you can pay them via electronic transfer on an automatic basis.*

*EBills can also be set up to be automatically paid by your bank. You can choose to pay the amount due, total balance due, or a pre-set amount each month.*

Subscribe to EBills for all the bills that offer them, and set up an automatic payment for the minimum balance due on the date due (You can pay more, but this is a safety-net to prevent you from forgetting to make a minimum payment, remember the idea is to be able to forget your bills and still have them be paid.)

### **EBills aren't for everyone**

Some credit cards and utilities don't offer EBills (yet) so they need to be set up a different way.

- **Utilities** - Most utilities have an option for registering for a level-pay scheme so that you pay the same monthly amount, based on the previous year's average billing amount, rather than a widely-ranging amount (i.e. Gas and Electric bills during the winter). Register for this service with the utility company directly.
- **Credit Cards/Other Bills** - For other bills, find the minimum payment amount, and set that up manually as a recurring payment. Usually you'll have to keep an eye on these, but for credit cards, as long as you don't charge more to them (hint, hint) the minimum payment decreases each month. This gives you a small 'double whammy'; As you pay a set amount each month, you automatically pay a small amount more on principle each month, as the minimum payment shrinks automatically.

### **Automate Your Retirement Contributions**

Next is to make sure you 'pay yourself first'. Most employees offer some kind of retirement fund, so take advantage of it. Find out how much you need to contribute to get your company's matching benefits, and have that amount automatically deducted from your pay. It's really [Not As Much As You Think](#). 401k, Roth 401k, Standard retirement fund, whatever, just contribute enough to get the matching funds. Starting next year, if you change jobs/plans, you are AUTOMATICALLY signed up for this minimum amount unless you specifically opt-out.

If you're business doesn't match, or you've contributed enough to cover your company's deductible, you might want to set up a Roth or Traditional IRA. You can set one up for you and for your spouse. The contribution limits for Traditional and Roth IRAs for 2008 is \$5000/year (\$6000 if age 50 or above). That works out to about \$416.66/month or \$192.31 per pay period based on 26 pay periods. Quite a sum, but if it comes out automatically, you'll forget all about it in a few paydays.

### **Automate Your Savings**

Next, send 10% of your gross pay to another account. Just 10%. Sounds like a lot too, but you'll be surprised how soon you learn to live on the other 90%. This is your Automatic Emergency Fund. The longer you fund it, the more 'emergency' you can afford. Think of it this way, for each year you fund this account, you can live without income for 1 1/3rd months (approx.) Do this for three years, and you have around 4 months emergency fund, AND YOU DIDN'T EVEN FEEL IT.

### **Automate Your Investments**

You've automated retirement already, so if you want to do a little investing, here's a painless way to do it too. Open an account with an on-line brokerage company (E-Trade, Banc of America, etc) and have a set amount sent to the account. Most on-line investment companies allow you to automatically invest at

## **Spend Less Than You Earn** – Tips & Advice on How to Have a Great Life & Still Save Money

regular intervals. Pick a good variety of stocks, bonds and/or mutual funds, or go for the tried-and-true Index Fund. Watch it slowly fill up as time goes by.

### **The Goal? Forget Your Bills Completely**

Once everything is covered, you should only have to spend a few minutes a month making sure the money machine is chugging along like it should. Now you can concentrate on discretionary spending and debt elimination. All the money that ends up in your account is available to be used for normal day-to-day expenses, or can be used to [snowball away your debts](#).

Bills shouldn't be something that takes center stage in your life. Put them on a system, then just watch the system periodically and concentrate on more important things.

**Be sure to visit Randalls's site – <http://www.creditwithdrawal.com>**

## Mrs Micah – Finance for a Freelance Life

Mrs. Micah started writing about personal finance when she was faced with the over \$100k in debt that her husband brought into their marriage. She works as a freelancer but is transitioning into full-time work. She will continue to offer her blog consulting services at <http://blogcrafted.com>

### **How Credit Card Companies Apply Your Payments**

Posted: 28 July 2008 – [Original Post](#)

Ever wondered how payments to your credit card are applied? It's all spelled out in the payment allocation provision of your credit card agreement. Generally, this is within a section labeled something like "Payments" or "Making Payments."

From my Capital One card agreement:

*We may allocate payments and other credits and proceeds among the various segments of your account, and to charges and principal due within each segment, in any way we determine, including balances (including new transactions) with lower annual percentage rates (APRs) before balances with higher APRs.*

#### **What Kind of Interest Are You Accruing?**

The "segments" referenced above are different ways that you can use your card—whether promotional offers or just the different rates for different types of card use. Three of the possible segments of my card are a) regular credit card transactions b) balance transfers and c) cash advances. The respective rates on each are a) 12.9% APR b) 12.9% APR and c) 22.9% APR.

So suppose that I get a cash advance of \$150 and spend \$150 with my credit card. I send in \$150 right away (because cash advances have no grace period) and want it applied to the cash advance balance. Well, the clause above says that the credit card company has the right to allocate that money as they see fit. And they'll use it to pay off the credit card part, first, not the cash advance. They'll earn more interest that way.

#### **A Sample Payment Application**

Let's run some numbers to show how that would play out.

Suppose Micah and I had \$5000 of debt at 30% APR on his old credit card. Now, we called the company and they agreed to lower our APR to 13%.

But this APR would only count towards new purchases (they don't always say this part, so be sure to check with them. it's hidden in the fine print). Now we go out and spend \$1500 on a couch. Dining

room set? Flat screen tv? \$1500 is almost a month's expenses so I can't imagine spending that much on any one thing. But we do it anyway.

We send in \$250 to start paying it off. The \$250 will be applied to our \$1500 purchase, not our \$5000 of old debt. So the \$5000 will continue to accumulate interest at the old rate.

If we pay \$250 every month, we'll eventually pay off the whole thing. But we will have paid more money total (because of the higher APR) than if we'd gotten them to apply our payments to the balance with the higher APR. In this case, \$369 more would go to the CC company.

I worked this out in a [spreadsheet](#) assuming 30% APY means 2.5% per month. 13% means 1.08% per month. I didn't use the daily rate, so it's not as precise as the actual interest would be.

### **Balance Transfers**

This is particularly important to remember if you're doing a balance transfer. Many cards offer excellent 0% APR rates for balance transfers and they're a great way to pay off a loan for less. Why do the companies let you do this? They hope you'll slip up and not pay it all off, they hope you'll use the card once the transfer is paid off, but they really really hope you'll use the card before paying off the balance transfer.

That way they can collect interest on you as long as it takes for you to pay off the 0% offer. So if you do transfer your balance, be sure not to use the card for anything else. If you want to use it responsibly once the transfer is all paid off, go for it. But don't touch it until then.

### **Can You Change It?**

So, you ask, how can I make my payment apply where I want it to?

Because it's in your agreement, you can't force a company to apply your payments in a way that saves you money. They're in the business of making money and you had the option of not using your card (or not accruing multiple balances).

However, this isn't a reason to give up. You can still call the company and ask about your options. There may be a special way of marking your payments (this is common with student and car loans). Or you may be best off transferring your card's entire balance to a 0% APR or low-interest card and doing it right this time (not making new charges and paying it all off in time). Once you've transferred it to a new card, all the charges are equal.

But the best thing is not to get yourself into this circumstance to begin with. Either pay off your whole card every month or use it in such a way that you don't have a high-interest balance just sitting around accruing interest because you can't pay it off.

## **More Than a Cereal: What You Should Know About ChexSystems**

Posted: 29 October 2008 – [Original Post](#)

If you're concerned with your [credit score](#) and general financial health, you've probably heard of Experian, Equifax, and TransUnion. They collect information about how much available credit you have and how you use it. What you may not be aware of is that there's a similar group who monitors how you bank.

ChexSystems is a consumer reporting agency which compiles a report of everything that your banks have reported in your last 5 years of banking. But unlike credit reports, Chex reports only contain negative information.

When you're joining a new bank, you may be denied an account if your Chex report includes enough negative items (even 1 may do it). It's the bank's way of protecting themselves (and their other customers). Unfortunately, if you have a good history overall, a few mistakes may make banks consider you too much of a risk.

### **What's In a Chex Report?**

A number of things may go into a Chex report. If you frequently overdraw your account (bouncing checks) or if you deposit a lot of bad checks, that may show up on your Chex report. If your bank thinks that you're trying to defraud them or defraud others through your account (using it to run a [419 scam](#) would be a random example), they may report it to your Chex report.

One thing that'll definitely be on your Chex report: unpaid balances with the bank itself! Overdraft charges, fees, unpaid lines of credit, if you owe them and don't pay, it'll end up on your Chex report.

The good news is that ChexSystems doesn't automatically see your account activity, your bank has to choose to report it. So if you bounce a few checks but clear everything up right away, your bank may not report it at all. Often banks have guidelines about what does and doesn't get reported. But if you let your account remain delinquent for 3 months or if you commit fraud, it'll probably end up in your report.

### **Can I See My Chex Report?**

Because Chex is under the same rules as the three credit bureaus, you can [order your Chex report](#) once a year and if you've been denied a bank account because of it in the last 60 days. (You can get free copies of your credit report from each bureau, once a year at [annualcreditreport.com](#).)

And you can [place an alert with Chex](#) if your ID has been stolen, just as you do with the credit reporting agencies.

### **How Can I Improve My Chex Report?**

First, the Chex report only contains information from the last 5 years. Anything before then doesn't count. So start by getting your financial life in order going forward. If nothing else, time will take care

of it. Also, some banks will still let you open accounts as long as you don't have any issues from the last year and have paid everything, so a problem in a Chex report may not keep you from getting a bank account.

In getting your finances straight, talk to a bank representative about how you can fix the problems they've reported. Work with them to figure out you can pay and what the bank will accept. If you're somehow in too deep, the bank may be willing to settle for less than the amount owed. So don't give up if it seems too big, remember that the bank would rather have some money than nothing.

Once you've paid your bank, you can request that they ask Chex to remove the incident entirely. The bank is required to update the information by adding that you've paid or settled the account, but they're not required to ask that it be removed. Remember this when you're working with the bank representative. Politeness can pay off big.

If your Chex report includes errors, you may [file a dispute](#) just as you can with credit reports.

### **Can I Get a Bank Account Despite a Bad Chex Report?**

Maybe. A lot of it depends on what's in your report and which banks you try. A good place to begin is [getting your annual free copy](#). Of course, if you've just been denied because of ChexSystems you're also entitled to a free copy.

Talk to all the banks and credit unions in your area, different ones have different approaches and some don't even check with ChexSystems. If they've denied you, ask to meet with someone from the institution and find out if they offer you any other options or if they know of reputable banks which will offer you second chance bank accounts. For example, Wells Fargo has what they call "[opportunity accounts](#)" for people with poor banking or credit history.

If you have any bank accounts open, don't close them unless there's something very wrong with the bank. By "wrong" I mean that the bank is mishandling your payments, losing your money, or something dramatic. If you're having trouble opening a new bank account, then you may have to put up with monthly fees, low interest, etc for now. You can try opening other accounts, but don't close the old one until you have a new account established.

**Be sure to visit Mrs Micah's site – <http://www.mrsmicah.com>**

## Lynnae – BeingFrugal



Lynnae has been married for 12 years and has two children. She started racking up debt in college, when she applied for her first credit card on campus during the first week of school. That debt continued to grow after she got married. Finally she and her husband decided it was time to get out of debt for good. Her blog is a record of what she has learned along the way. Be sure to check out her site at <http://beingfrugal.net/>

### ***How to Make a Budget That Works***

Posted: 3 March 2008 – [Original Post](#)

Last week I told you about [the evolution of my budget](#). In the past I've tried to follow a budget, only to fail time and time again. But I've learned from my mistakes. Today I'm going to walk you through the steps you need to take to make a budget that really works.

#### **Step 1: Record Your Income and Expenses for a Month**

If you're really organized, you can look back at your expenses for six months to a year, but I'm going to assume you're organizationally challenged like I am. :) For one month, you need to record every transaction that you make with your money. Carry a notebook. Save receipts. Write down where every penny goes.

The notebook and receipts are important. You want to be specific. It doesn't help you to write down "Spent \$40 at Target." Did you spend money on food? Towels? Electronics? You need to know these things.

If you're adept at using spreadsheets, you can use a spreadsheet to categorize expenses. If you're not, recording everything on a sheet of paper or in a Word document will be fine. The important thing is to record the information.

At the end of the month, if you're like me, you will be surprised at how much money is leaking out of your bank account every month. The first month I recorded our expenses, we spent \$300 on eating out. I'm not kidding. I was shocked.

We were also shocked at how much money we were using on little trips to the grocery store for snacks. We really had no idea.

At the end of the month, you will have a good idea of what your spending habits are. You'll see the areas where you need to work on curtailing your spending, and you'll notice areas where you could stand to put a little bit more money. You're ready to move on to step 2.

## **Step 2: Write Down Income and Necessary Expenses**

First write down how much net income you bring home every month. For now I'm going to assume you make a fixed amount every month. If you work on commission or some other irregular pay structure, stay tuned for Thursday's post on budgeting with an irregular income.

Next list the things you know you need to pay over the course of a year. [Dave Ramsey has an excellent form to help you with this](#). Use the information you collected during your 30 days of recording expenses to help you with this. For variable bills, such as your electric and water bills, write down the average amount over the course of 12 months.

Don't forget expenses that come up every six months or only once a year. Insurance premiums and car registration renewal are two that come to mind. Divide the total amount by the term covered, and enter that into your monthly expenses. If you pay your insurance every 6 months, divide the premium by 6, and that's the amount you're going to save toward insurance every month.

Finally, subtract all of your expenses from your income.

## **Step 3: Adjust**

If your income is greater than your expenses, that's fantastic! Take any extra income and put it toward your financial goals. This could be your emergency fund, debt repayment, retirement...the possibilities are endless!

If you're like most people, though, your expenses will be greater than your income, and you will come to the sinking realization that you've been spending more than you earn. Don't be discouraged. You can fix this.

You now need to cut areas of your budget that are flexible. If you're spending \$300 on eating out, that's a good place to start. The grocery bill is also very flexible. But be realistic. Don't budget \$85 a month for food for a family of four. It will never work.

If you are having trouble making your income cover your expenses, and you can't cut expenses any further, you need to think about raising your income. Can you take on a second job? Babysit? Blog?

Also consider contacting your credit card companies to see if you can arrange a lower payment. Or consider Consumer Credit Counseling. Just know that you cannot continue to spend more than you earn. If you do, things will only get worse. Take whatever steps are necessary to get your spending level below your level of income.

## **Step 4: Live by Your Plan, but Don't Be Too Rigid**

Once you have a budget in place, follow it. If you have already spent the \$100 you budgeted for eating out for the month, don't spend anymore. This is easier said than done, of course. I've screwed up many times. However, by keeping the budget in mind when you spend, you will continually move closer to your goals.

If you find you are consistently off in a budget category, perhaps you need to re-evaluate the budget. As gas prices went up, my husband and I had to adjust our auto fuel category up about \$100 a month.

A budget isn't set in stone. You can adjust it if it's not working for you. The important thing is to start planning where your money goes. If you don't have a plan for your money, it will just disappear on meaningless items. By making a plan, you can ensure that you are doing what you can to achieve your financial goals. Without a plan, your goals are just dreams.

## ***How to Budget with Irregular Income***

Posted: 6 March 2008 – [Original Post](#)

Budgeting with a variable income is a problem that many people have, and I don't think it's covered adequately in most personal finance books. The headache that comes with trying to budget when you don't know what your monthly income is going to be is the single biggest reason I've failed at keeping a budget over the years.

My husband has worked in various commissioned sales positions for most of our 12 years of marriage, so I'm not new to dealing with irregular income. Freelancers and those who are paid by the hour also have income that can vary widely from month to month.

One of the biggest downfalls of having a variable income is the tendency to overspend on good months. Believe me, I understand. Your money is stretched to the limits in the lean months, so on a good month, you're tempted to spend a little bit more on fun stuff. But when the next lean month comes, there's no extra money left to help ride it out.

Keeping a budget is the best way to even out the highs and lows of a variable income. Though it's true that budgeting is more complicated when you don't have a steady income, it is possible to make and keep a good budget. And I'm going to show you how.

On Monday [I showed you the steps to creating a budget](#). You are going to follow the same steps, so you might want to review that post. I'm also going to add a few steps.

### **Estimate Your Monthly Income**

If you've been working with an irregular income for a long time, take last year's income and divide it by 12. If last year was a typical year, that is a pretty good estimate of how much you'll have to work with on a monthly basis.

If you had a great year last year, cut the number down to what is typical for you. It's much easier to adjust your income up after you've started your budget than to continue cutting expenses.

If you work on base salary plus commission, see if you can live on just your base salary. Any commission can be used for paying down debt, saving for a house, or whatever you please.

If you're new on your job, your employer probably told you what a typical first year salary is. Estimate your income lower than that. It's been my experience that new employers are a little bit too optimistic on your initial earning potential. If you end up making as much as your employer said you'd make, you're money ahead.

### **Plug in the Numbers**

Now that you've estimated your monthly income, use that number to budget. Follow the steps in my post [How To Make a Budget That Works](#), until you have a good budget.

And please fight the temptation to adjust your monthly income upward, because you're having trouble making the budget work. That's setting yourself up for failure. Keep cutting expenses until the numbers work.

### **Set up Two Bank Accounts**

The first bank account should be a high yield savings account ([I recommend ING Direct](#)). You may as well earn interest on your money. When you get paid from your employer or your clients, deposit the money directly into your savings account. You are going to pay yourself out of this account.

Decide whether you want to receive a "paycheck" once or twice a month. I prefer twice. On the first and the fifteenth of every month, transfer 1/2 of your estimated monthly income to your regular bank account. Even if you made more money that month, transfer only that amount.

What you are doing is giving yourself a regular salary. On months that you make more than your "salary", you will be leaving the extra money in the savings account. On months where you make less, you will use the extra money from the good months to cover the difference.

At the end of the year, if you have a lot of extra money in your savings, you can give yourself a small raise for the next year. If you're consistently finding that you don't have enough money in your savings account, you may have to give yourself a pay cut.

This method can take six months to a year to start really working correctly. You will have to make adjustments, but stick with it as best as you can. Eventually your budget will work the way it's supposed to, and you can say goodbye to the roller coaster that comes with a variable income.

## **The Best Budgeting Tools**

Posted: 7 March 2008 – [Original Post](#)

To effectively keep a budget, you need the right tools. And there are many tools out there to choose from. Ranging from free to hundreds of dollars, it's hard to know exactly which tools to use.

Many programs come with fancy charts, integration with online banking, bill pay, and a whole host of other bells and whistles. But do you really need all that in a budgeting program? In my opinion, there are three features that absolutely must be present in an effective budgeting tool.

1. You must be able to easily record money coming in to each budget category.
2. You must be able to easily record money going out of a budget category.
3. You must be able to easily see how much money you have available to spend in each budgeting category.

I've used many different tools over the years. Quicken, Money, Mint, and a whole host of others. While each of these programs have their place in money management, none of them are ideal for keeping track of a budget.

In all my years of trial and error, I have only come across 4 tools that work the way I want them to, meeting all three of my budget tool requirements. They range from the low-tech to the high-tech, and I'm sure there will be something here for everyone.

### **A Basic Ledger Sheet**

This is the cheap and easy option for those who don't like to use the computer. You can find ledger sheets at any office supply store, and even the technologically challenged can use them. Make a list of your budgeting categories in the columns, and every time you deposit or spend money in a specific category, record the transaction in the appropriate column.

It can be tedious, but I know people who love this method. I used it myself for a couple of years. If you make sure to balance each category every time you record a transaction, you can just glance at your balance sheet to see whether you have the money in the budget to go out to dinner.

### **Envelopes**

This is a great method for those who like to pay cash for everything. Label a separate envelope for each of your budgeting categories. When you get paid, split your money into your envelopes. When the money in a given envelope is gone, you stop spending in that category for the month.

This method can be good for those who get paid weekly and run through their cash rather quickly. It's a very good method to get you acquainted with a budget, because it lets you visually see the budgeting process.

## **Mvelopes**

Now we're getting into the technological options. I used [Mvelopes](#) for the better part of the last year. I gave a [full review](#) in December. Mvelopes is based online, so it's great if you use multiple computers to manage your finances.

You can create budget templates for each of your paychecks, so when you get paid, you can split the money into your budget categories with a click of the mouse. Mvelopes also supports a long list of financial institutions, so you can automatically import your transactions into Mvelopes.

The downside to [Mvelopes](#) is that it's pretty spendy. Membership plans range from paying \$39.60 a quarter to \$189.60 for two years. Still, if you have extra money in your budget, it's a good program.

## **You Need a Budget Pro**

This is my favorite of all the budgeting programs I've tried. The longer I use it, the more I love it. I'll give you a brief synopsis of the software, but if you're looking for an in-depth overview, [Giblguy from Gather Little By Little has a great in-depth overview here](#).

Available in a spreadsheet or a Pro version (I recommend Pro for the extra features), YNAB is a desktop based system. In my opinion, YNAB is the best, because it does exactly what it needs to do. Nothing more. Nothing less.

Importing transactions from your bank can be tedious, but it's great for security minded people, who don't like the thought of a program automatically accessing their bank accounts. You can download transactions from your bank in Quicken format and then import them into [YNAB](#). It's slower than an automatic download, but I haven't had any trouble.

It's easy to categorize your spending into each of your budget categories, and there is a whole page which gives you a great overview of what you budgeted, what you spent, and how much you have left to spend.

[YNAB](#) also operates on the premise that you should have a month of income as a buffer in your checking account. So when you get paid for this month, it shows up as money available for budgeting next month. But don't worry. If you don't have a month's worth of expenses in the bank yet, YNAB will help you work toward that point.

[YNAB](#) isn't free, but it's only \$39.95. This includes updates, when YNAB adds new features. I think the money spent is well worth this great budgeting tool.

I have used each of the methods above successfully, and I have no problem recommending any of them. They are all effective in their own way. The important thing is that you keep track of the money coming in and the money going out of your life, so you can get closer to your financial goals.

**Be sure to visit Lynnae's site – <http://beingfrugal.net>**