

# Star-Telegram

## Could you give up frivolous spending for a month?

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At this point my family is 25 days into a month long "fast."

My wife got it into her head, and then got the kids on board, with the idea of going the entire month of January without spending any money other than what we'd regularly spend on food, gas, shelter and medical expenses.

"What about books?" my 14-year old daughter asked.

"Check them out at the library," my wife replied.

"What about movies?" my 12-year-old son asked.

"You'll have to watch what Netflix brings," she said.

"What about dinners out?" I asked, a little bit hungry already.

"Nope. And I'll pack a lunch every day so I don't have to buy a sandwich at work," she volunteered.

This "fast" from cash was our family's way of controlling expenses that were way, way out of control, starting before Thanksgiving and continuing through the reckless spending spree known as The Holidays.

Deep down I know slapping the wallet shut is an extreme way to rein in spending. There are easier, wiser and less draconian methods — Come on, no movies? — to help feel better about household expenses. To that end, I contacted more than a dozen economics experts around the country and asked them the same question: What's the ONE piece of advice you would give a family to put on its to-do list for the coming year to promote and protect its finances?

Here's what they said. You already know some of it, but it can't hurt to be reminded.

(Editor's note: In fact, the experts came up with so many good ideas that we present all 16, instead of just the 10 promised in this 10 for '10 series.)

### Create a budget

1 "It may not sound exciting, but it is the No. 1, sure-fire way to get finances in order and to save," says Kevin Gallegos, vice president of Freedom Debt Relief, LLC in San Mateo, Calif. ([www.freedomdebtrelief.com](http://www.freedomdebtrelief.com)). "The key is to set goals — and if you're in a relationship and/or have a family, do so with your spouse and family members. Write down the goal and build your budget with it in mind." This is a way to take charge of your money; with the results, you'll be able to use your money to your best advantage.

## Track your spending

2 That's the result of a survey of more than 100 CEOs polled by the National Foundation for Credit Counseling ([www.debtadvice.org](http://www.debtadvice.org)). "The only way you can know where your hard-earned money is going is to write down every cent you spend," it concluded. "Do this for at least 30 days. Many people make incomes adequate to support their expenses but end up short each month simply because they don't keep track of their spending."

## Use cash for discretionary purchases

3 For things like drinks, snacks, entertainment and low-cost dining, pay cash, says Bryan Link, CEO of SimpliFi, a household financial advice Web site ([www.simplifi.net](http://www.simplifi.net)). "Studies have shown that we have a harder time parting with cash, so if you force yourself to use cash for these purchases, you will spend less," he points out. "Even better, use the 'envelope method' in conjunction with your monthly spending plan for these purchases. It works like this: Budget a specific weekly amount of cash for these purchases, then each week, withdraw that amount, put it in an envelope, and only use what's in the envelope for that week. When the cash is gone, no more spending until the next installment."

## Become a "Two Minute Rule Shopper"

4 This comes from the American Institute of Certified Public Accountants. If you want to buy something not in the budget, walk away from it for two minutes. You likely will leave the impulse behind and enter the land of reason. See [www.360financialliteracy.org](http://www.360financialliteracy.org) for more tips.

## For purchases over \$100, become a '24 Hour Shopper'

5 "If you still want it the next day, go back and buy it," says Marcia Brixey, author of *The Money Therapist: A Woman's Guide to Creating a Healthy Financial Life* (Seal Press, \$15.95). "Most of the time you'll forget what it was by the next day." Further, "before making a purchase ask yourself: 'Do I really need this? Do I really want this? Will I use this? Am I buying this just because it's on sale? How many hours will I have to work to pay for this? Do I really love this?' I call this the Checkout Checklist." (See [www.moneywisewomengetsmart.com](http://www.moneywisewomengetsmart.com).)

## And if you can't walk away from sales, learn from your mistakes

6 "Consider your money-management activities throughout the past year," says Clarky Davis, aka The Debt Diva ([www.thedebtdiva.com](http://www.thedebtdiva.com)). "What would you change about how you spent or saved your money? Are there clothes still hanging in your closet with tags? Did you buy a new piece of equipment or electronics for your home that you never used? Did you spend an absurd amount of money on overdraft fees? Recognizing your mistakes will help avoid repeating them." But also consider what you did right: "Did you build your savings account? Are you cutting back on your expenses and streamlining your life? Think about how to keep up your good work and further improve your money-management habits in 2010."

## Get miles or cash by using cards

7 "Using these cards [with loyalty incentives] within your budget — and paying them off immediately — can get you a good chunk of change by the end of the year and can even help you achieve a vacation goal," say the counselors at **GreenPath Debt Solutions**, a Michigan-based nonprofit consumer credit service ([www.greenpath.com](http://www.greenpath.com)). To assure you pay them off and not carry the debt from month to month, send the payments for each card through your bank's Internet bill pay service.

## Save stamps — and greenhouse gases by paying bills online

**8** If your household pays 10 bills every month, you can save \$50 a year on stamps alone, say the folks behind [www.ebillplace.com](http://www.ebillplace.com). Additionally, if you pay 10 bills online every month, you reduce 151 pounds of greenhouse gases, prevent 37 pounds of wastewater from being distributed into lakes, streams and rivers and save 4 pounds of paper. Calculate your household's savings with the Web site's Green Savings Calculator.

## Set up an emergency fund and have easy access to it

**9** Phillis Sax Pilvinis, founder and president of Phoenix's PSP & Associates ([www.pspassoc.com](http://www.pspassoc.com)), explains: "Our economy changed instantly from 2008 to 2009 — many Americans lost their jobs, homes and so on. This is why having an emergency fund is crucial. In the event the unexpected happens to you, whether employment, health related, whatever it may be, if you have at least six month's worth of living expenses in a savings account, you not only have breathing room for an unforeseen expense, but you also have a buffer in the event you lose your job."

## Keep a calendar of your financial plans

**10** The Texas Society of CPAs, a nonprofit that manages a "Financial Literacy" program, has a free calendar for Texas residents at its personal finance Web site, [www.valueyourmoney.org](http://www.valueyourmoney.org). (Nonresidents can download it as a PDF.)

## Change your withholdings at work

**11** "People mistakenly look at a tax refund as an easy way to save money, but really, you are just loaning the government a chunk of change instead of receiving interest on your money," points out Roni Lynn Deutch, aka The Tax Lady and author of *The Tax Lady's Guide to Beating the IRS — and Saving Big Bucks on Your Taxes* (BenBella Books, \$16.95). "Exercise self-discipline or have the money automatically transferred to a savings account; both options are much better than voluntarily loaning your money to Uncle Sam."

## Contribute the maximum to your IRA

**12** This advice comes from Alan Skrainka, chief market strategist for St. Louis, Mo., investment firm Edward Jones ([www.edwardjones.com](http://www.edwardjones.com)). "Write a check to your IRA each time you get paid." Similarly, "boost your 401(k) contributions this year — and every year thereafter. When your salary goes up, increase your contributions."

## Consider a Roth IRA conversion

**13** "As of 2010, anyone, regardless of income, can convert all or a part of a traditional IRA to a Roth IRA," points out the experts at Brinton Eaton Wealth Advisors of Madison, N.J. ([www.brintoneaton.com](http://www.brintoneaton.com)). "A Roth IRA can be a sensible move for someone who not only wants to see assets grow tax-free but be able to withdraw, or not, at will with no tax consequences. It is also a great vehicle for inheritance since it would provide your heirs a stream of tax-free income. To do the conversion, however, you must pay taxes on the entire amount converted, which can have a hefty price tag. It's a big decision, and one that should be made together with your financial planner and estate attorney as well as your accountant." Adds Phillis Sax Pilvinis, "Contributions are taxed, not withdrawal amounts. You essentially lock in tax rates for today, and taxes are likely to increase in the future, and you won't have to pay taxes on the matured account when it comes time to utilize that money for retirement income."

## Get "creative" with debt

**14** "If a person's credit is good and has assets, now is the time to borrow against them at a low interest rate — as they will never be this low again, literally," says Herb Kay, author of *How To Get Filthy, Stinking Rich and Still Have Time for Great Sex: An Entrepreneur's Guide to Wealth and Happiness* (Bard Press, \$19.95). "Then take that money and any other you might have to invest and put all of that money into blue-chip foreign stocks that pay dividends." Kay says 6 to 8 percent is a typical dividend. "Then use that income to pay the interest on the low interest debt and let inflation work for you, because it is coming and soon!"

## Maximize your pension

**15** "If you are one of the lucky few that still have a pension, research 'pension maximization' on the Internet," advises Richmond, Va. independent financial adviser Bill Judge. "In short, pension max is used to increase net retirement income for married couples, while still providing the surviving spouse's income if the pension annuitant dies first. Basically, [you] select a 'single life' pension option instead of an option with a survivor benefiting a spouse. This results in a higher monthly income benefit. Then [you] purchase life insurance to replace the pension income in the event that the pension annuitant dies first. In some instances, this concept can result in a higher retirement income if the cost of the needed life insurance is less than the increased pension benefits. As with any important financial decisions, and this one is extremely important, use a trusted adviser."

## And finally:

## Share the wealth

**16** "If you see your financial future come into focus, share your story with those around you," suggest the folks at GreenPath. Additionally, Randy Brown, founder and "chief wealth strategist" of Briteline Wealth Management ([www.britelinewealth.com](http://www.britelinewealth.com)) in Fullerton, Calif., says, "With interest rates low, there are innovative ways to gift assets using Grantor Retained Annuity Trusts (GRATs). GRATs are a financial instrument used to make large financial gifts without paying a U.S. gift tax. There are other things to take advantage of, such as low-interest-rate loans to your children. Work with your financial adviser to see if any of these options or others will work for you and your family."