

Frugal Isn't Cheap

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Spend Less, Save More, and Live BETTER

Clare K. Levison, CPA



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Pompton Plains, NJ

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*For Troy, Brenna, and Elise.
I live better every day because of you.*

Acknowledgments

The publication of this book has transformed a lifelong dream into reality. It has reminded me to never give up because just at the moment when you've decided it might be time to throw in the towel everything can change. My older daughter was discussing her dreams and aspirations with me the other day. She asked, "Do you really think I could do it?" My answer is a resounding yes. Brenna, I really believe anything is possible. I don't just think, I know, you can accomplish whatever you put your mind to.

I'd like to thank Drs. Wayne and Lynn Saubert who provided me with the career guidance that resulted in the attainment of my CPA license. Their advice altered my life in ways I'm sure they never could have anticipated. I had no idea at the time where it would take me, either; not only did it lead me to a fulfilling career, it also led me to the job where I would meet my extraordinary husband.

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My father instilled frugality in me from a very young age. As my uncle says, "It's the family way." He also served as my unofficial editor. Nothing went to Career Press until it went to Dad first. My mother can be summed up in seven words: eternal nurturer, continual giver, and veritable saint. Thank you both.

Close friends are so important to me. Thank you to my friends for your encouragement and interest.

Sharon Lechter is an amazingly accomplished woman, entrepreneur, writer, and CPA. Thank you, Sharon, for all your help. It's an honor to work with you.

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Thank you to Career Press for taking a chance on a first-time author.

I'm so grateful to have the opportunity to share my frugal message. My greatest accomplishments don't have anything to do with possessions. My greatest accomplishments will always be wife, mother, friend, and CPA.

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Foreword

When it comes to money, you have a choice. You can become a master of or a slave to your money. In *Frugal Isn't Cheap*, Clare Levison highlights the importance of the choices you make each and every day. Will you choose to live beyond your means and mortgage your future with high amounts of debt? Or will you live within your means and become the master of your money and therefore the master of your destiny?

Personal finance does not need to be complicated and learning how to secure your financial wealth doesn't need to be boring. Through her real-life stories about money, Clare shares her journey of becoming a financial literacy expert with humor and compassion, and even through a few tears. The best way to learn anything is through real-life experience. By sharing the learning opportunities she had along the way, Clare strives to spare you from having to repeat the mistakes of so many others in your own financial life.

Being financially savvy has never been more important. Young people are graduating from college with large school loans and, unable to immediately find jobs, often begin their careers already enslaved by debt. According to both the Center for American Progress and the Consumer Financial Protection Bureau, student debt now exceeds \$1 trillion (\$864 billion in federal loans and \$150 billion in private loans). This problem is intensified when these young people enter the work force and are unable to find jobs. According to a 2012 investigation by the Associated Press, more than 50 percent of recent graduates are still unemployed or under-employed.

The need for financial education was made clear to me when my oldest son went off to college years ago. He came home for the holidays already \$2,500 in credit card debt! It was quite obvious that he had truly enjoyed his first semester of college until the bills were due. I was very angry at him, but I was even angrier with myself. I had taught my son about money, but apparently I hadn't taught him successfully about the perils of credit card debt. He was often with me when I used my credit cards, but not when I paid them off each month. We refused to bail him out financially, and he started his own seven-year journey to get out of debt and repair his credit rating. Like Clare, he often shares his story so that others can learn from his mistakes and learning opportunities. My experience with my son created the tremendous passion that I still have for highlighting the need for financial literacy.

Ensuring that the current generations of teens and young adults have a financial education is essential to the financial stability of our families and our country. The gift of a financial education is the gift of a lifetime and will allow young people to not just survive, but to thrive in the economy they will face as adults.

Whether it is Clare's stories or the lessons you have learned from your own money mistakes, the message is quite simple: Spend less than you earn. By following this simple mantra, you will become a master of your money and create a financial foundation of security for you and your family while discovering today's new money reality. Being frugal can be the new "cool."

Seize the opportunity today to become smart with your money and become financially independent while still having fun and enjoying life. Will you be a master of your money or a slave to it? It truly is your choice.

All the best

Sharon Lechter, CPA, CGMA

Coauthor of *Rich Dad Poor Dad* and *Think and Grow Rich—Three Feet from Gold*, annotator of

Outwitting the Devil with the Napoleon Hill Foundation, author of *Save Wisely, Spend Happily*, founder and CEO of Pay Your Family First, creator of the award-winning *Thrive Time for Teens* board game, member of the first President's Advisory Council on Financial Literacy, and member of the AICPA's National CPA Financial Literacy Commission

Introduction

I sat down at my computer last week to do some online banking. I went to my bank's Website, put in my username and password, and hit the enter key. I nearly fell out of my chair when I saw what came up on the screen in front of me. I was in the red—negative. I had overdrawn my account.

“How can this be?” I thought to myself. I normally check my online banking every day. It's something I think everyone should do. But I had gotten busy, so it had been a few days since my last log-in. After some quick analysis I realized a withdrawal had posted a day earlier than I was expecting, a day earlier than my deposit. This bad timing had started a chain of events that wreaked havoc on my account. It was my own fault. I should have been paying closer attention. I shouldn't have been cutting it so close. There was nobody to blame but me.

I was mortified. I know better. I'm a CPA, for crying out loud—a finance expert. I extol the virtue of being financially responsible, yet I had screwed up. I felt hypocritical; I felt embarrassed; I felt human.

Keeping your finances in order isn't always easy; it requires continual effort and vigilance. Just like any other self-improvement effort such as dieting, exercising, or keeping a clean and organized home, it requires discipline. And often discipline is not a lot of fun. There may be a million other things you'd rather be doing, but still you have to take time to take care of your finances. So I picked myself up off the floor, gave myself forty lashes with a wet noodle—I deserved every last one of them—and got back to business. And that's what you should do, too.

If you're one of the many Americans whose finances are in disorder, if you've lost your job, if you've lost your home, if you have a mountain of debt or a mole hill of savings, pick yourself up and get back to business. Those negative emotions you've felt over your financial situation can spur you on and make you stronger. They can help ensure you remain vigilant and don't backslide into financial turmoil again.

Don't spend time trying to find someone else to blame. Don't create a long list of excuses for why you haven't taken control of your financial future. Yes, you should have been making the mortgage payment on time every month. Yes, you should have started saving with the first paycheck you ever brought home. Yes, you should have created a balanced budget and paid for your purchases rather than charging them to a credit card. But if you didn't, do it now.

A Chinese proverb says: “The best time to plant a tree was twenty years ago. The second best time is today.” If your finances aren't in the condition that they should be, then start cleaning them up. Start today.

Living Well on Less

A lesson in finance from my personal trainer

I always had it in the back of my mind that when my younger daughter went to kindergarten, I was going to get a personal trainer. I figured now that the baby was five and a half years old, I could no longer continue to claim that my extra flab was post-pregnancy related. When the day came, I sent my little dear out the door and headed off to the local gym.

I was expecting to walk in there, do a few leg presses, a few crunches, maybe a lunge or two, and walk out looking like I was 18 again. So I was pretty disappointed when I made a total fool of myself flopping around on the stability ball, leg pressed until my thighs burned, did about 75 lunges, and walked out looking exactly the same as when I went in, except I was a lot sweatier and my hair was a wreck.

“This really sucks,” I thought, as I threw myself down on the couch to recover the minute I got home, and it did. That night I woke up repeatedly with the feeling that someone was trying to rip my arms off, and the next day I could barely move. But what sucked even more was my realization that this was not going to be quick, and it was not going to be easy. There is no miracle cure for cellulite. I realized the first step was to face that reality, meet it head on, and then continue my journey.

Obviously, you’re reading this book because you want to improve yourself financially. It’s my job to help you do that, and the first step is exactly the same as the one just mentioned: a little dose of reality. There is no miracle cure for your finances. There is no quick, easy way to get rich. I’m not going to promise that you can read this book and become a double-digit millionaire, just like my trainer couldn’t promise that I’d leave the gym with six-pack abs, but that’s okay. The good news is that with persistence and effort, you can achieve your financial goals.

The other day a friend of mine was going through some of her old memorabilia and came across some pictures of our children when they graduated from preschool together. She scanned a picture of my older daughter and sent it to me along with a quote of what my daughter said she had learned in preschool: “Don’t pull people if they don’t want to go.”

I don’t want to pull you down your financial path kicking and screaming. I want you to walk with me. I don’t want to lecture you or make you feel guilty. I want you to have a successful financial future, not because I’m telling you to, but because you want to. I don’t want you to abstain from spending but rather to do so responsibly by putting more of your money into things that are going to help you build wealth. The choice is yours. You can either come up with all kinds of reasons why you can’t make changes to your finances, or you can come up with all kinds of reasons why you will make changes to your finances.

I’m a big believer in the KISS principle: Keep It Simple, Stupid. However, as a southern gal, I find “Stupid” to be a little harsh. So I prefer to follow the KISH principle: Keep It Simple, Honey. In the pages that follow, you’ll find simple advice that regular people, like you and me, can use to improve our finances. Hopefully, this advice will shed some light on how you may be flushing your money down the toilet instead of funneling it into your savings or investment accounts, and how you can best use your money to build wealth. I’ve also included some “Do the Math” equations that will help illustrate the financial concepts discussed.

Your next step on this journey will be to find your frugal side, so I’ve included some “Frugal

Homework” in this chapter. I want to change the way you think about money because I can promise that, if you can and then apply those changes to the financial choices you make, you can create a secure and bright financial future for yourself. If you can change your outlook one step at a time, you’ll truly change your life. So without further ado, let’s get to it.

Find your frugal side

When I was growing up, I can remember complaining to my dad about it being cold in the house. Truth be told, it was probably plenty warm for most people, but I’ve always been cold natured. “Go put a sweater on,” he would tell me. Dad’s always been a frugal man.

But today’s society has become obsessed with excess. Frugal people are seen as dull and boring. Big spenders seem flashy and exciting. However, I think the tide is finally beginning to turn on these perceptions. And that’s a good thing. It’s just not fashionable to own 20 pairs of shoes that you’ve only worn once. It’s not cool to have 30 gadgets that you never use. And if you’re spending all your money on designer clothes, you’re not stylish; you’re silly. Now more than ever, frugality is coming into fashion, and it’s hip to be thrifty. It turns out Dad was frugal before frugal was cool.

Do the math

According to a *ShopSmart* magazine survey,¹ women are willing to spend an average of \$49 per pair of shoes and own an average of 17 pairs. That’s \$833 sitting in the closet! The average person’s unused gadget list might include a Wine Aerator—\$39; FryDaddy (thank your lucky stars that you’re not using this one)—\$30; Workout Equipment (just in case you decide to use the FryDaddy)—\$100. That’s \$169 and probably just the tip of the iceberg on your useless gadget collection. If you owned half as many shoes and skipped the gadgets altogether, the money in your bank account would total \$585.50.

If I had to come up with one synonym for frugal, it wouldn’t be “cheap”; it would be “smart.” Being frugal isn’t about buying the cheapest thing; it’s about buying the things that are truly a good value. Let me put it to you another way. You have to start spending less, so you can have more. Many things like cars, clothes, and furniture depreciate greatly the minute you take them home. You need to think hard before spending a lot on those kinds of purchases. Look for bargains, buy used, and don’t be ashamed to shop at discount stores. Put more of your money into things that are going to appreciate. For example:

\$ Price of a solid wood coffee table and two end tables, new, purchased from a furniture store—\$299.

\$ Price of a solid wood coffee table and two end tables, three years old, purchased on Craigslist—\$75.

\$ Money in your bank account—\$224.

I’m amazed that some people can spend hundreds, even thousands, of dollars each month on clothes. The next time you’re tempted to go on a shopping spree, remember: As soon as you wear that designer shirt once, it’s worth a fraction of what you spent on it. Kind of ironic, isn’t it? You pay top dollar to a big corporation just so you can clip that tag. Not only that, but every time you wear the shirt, the corporation is getting free advertising.

I was doing some shopping at a discount store one day and happened to pick up a white cardigan for \$15. It quickly became one of my favorite sweaters, and I wore it frequently. On at least two separate

occasions, I was told how cute it was. One of the women who complimented me also mentioned that she had seen it at a designer store and admired it. Obviously, she couldn't tell the difference between the discount sweater and the designer one. Designer store price: \$75. Money in my bank account: \$60.

We all like to have nice things. For me there's no substitute for a high-quality blazer—the perfect cut and quality fabric are worth every penny. But there's a limit. I'm not suggesting that you should forgo all the frills in life, but aren't a couple of nice dresses and suits enough? Do you really need 10 handbags, or would two or three be perfectly adequate? If your closet is so crammed full that you could clothe the entire neighborhood, there's a problem and it goes deeper than money. Clothing is just one example, but it demonstrates well the concern so many people have with looking good on the outside, even though they're falling apart financially behind closed doors.

Frugal people don't spend their time wishing they had more stuff. They avoid excess. In fact, they take pride in being understated with their possessions. You have to nurture that mentality within yourself. You aren't what you own. Being secure with who you are is one of the most important factors in financial success. If you don't have self-confidence, you'll constantly be comparing yourself to others. If you're not self-assured, you leave yourself vulnerable to the “keeping up with the Joneses” mentality.

Does your financial life consist of smoke and mirrors rather than dollars and cents? Have you found yourself with a solid credit card bill instead of a solid savings account? Do others view you as well-to-do, even though you're barely squeaking by? If your answer to any of these questions is yes, you are not alone. Many people these days are living a lifestyle that can only be described as “all hat, no cattle.” They're putting on a good show, but they don't really have the financial resources to be living the lifestyle they are. They've got champagne taste on a beer budget.

I guess I'm just a simple country girl, but big houses, fancy cars, and designer labels don't impress me. If you have a chalet in Aspen or a house on the waterway in Ft. Lauderdale, I'd love to come for a visit but I'll let you keep the mortgage. I can't remember the last time I drove a new car. Right now I've got an SUV with more than 135,000 miles on it, but it gets me where I need to go most of the time. And although I have been known to buy a designer purse or two, it's always at the outlet. Believe it or not, I prefer it that way.

I watched a show once about a single woman raising her two grandchildren, ages 3 and 7. She would drop them off at daycare and school each morning, go to work as a waitress and bartender all day, then go home and do homework with them in the evening. That impresses me.

If your financial life is a fake, the only one you're fooling is you. Do you want to surround yourself with people who put the most value on material possessions? I prefer those who find hard work, responsibility, and integrity to be the things of greatest importance. Financial exaggeration is usually just a thin disguise for insecurity, emptiness, and self-doubt. If you've been feeling the need to overinflate your financial standing, what you need to start doing instead is nurturing your frugal side. Maybe you need to get a new group of friends, or maybe you need to get a new budget. Flashiness fades, but broke is forever. I don't know about you, but I'd take a herd of cattle over a big hat any day.

Frugal homework

Make a list of the best qualities you possess as a person. You might describe yourself as:

1. A good mother/father.
2. A loving husband/wife.
3. A competent teacher/nurse/auto mechanic.

4. Neat and clean.

5. Stylish.

Now, make a list of your most important possessions. Your list might include your:

1. House.

2. Car.

3. Jewelry.

4. Clothes.

5. Big-screen TV.

These are the physical things that are a part of your life, but they are not a part of your character. You need to see that the first list—the qualities about you that make you who you are—stands on its own. It's static, even as your list of physical possessions is dynamic. If you are neat, clean, and stylish, that doesn't change. I would put all of those qualities on my list, and I feel confident that I'm going to look just as good in a \$15 discount store sweater as I would in one that's designer. If you are neat, clean, and stylish, your home will reflect that. You don't need a house that's 4,000 square feet to show who you are. Your tidy, well-organized space can be just as enjoyable and stylish at half that size.

I have a friend who went through that exact scenario. She and her husband decided it was time to downsize. They sold their very large, customized home and bought a smaller, more standard version. I was shocked when they told me about the move. Their sprawling brick home was just gorgeous—flawlessly furnished and decorated, spotlessly maintained. It was so enjoyable to eat dinner at their house and relax on the back patio. I have to admit, I thought they were a little nuts to be giving all that up.

But as soon as I stepped into their new home for the first time, I realized I was the one who hadn't been able to see the bigger picture. Their smaller home was just as gorgeous. Even without the large foyer and vaulted ceilings, this home gave an immediate feeling of elegance. The physical things were different, but the characteristics of the owners were still the same. My friend has fabulous taste and style, and that hadn't changed. Because of who she is as a person, she was able to make her smaller space look every bit as fabulous as the larger one had. She's also an excellent cook. Sure, she might have given up her stainless steel kitchen, but the food that came out of her mid-grade oven was every bit as tasty as it had always been, and we ate, drank wine, and laughed just as hard on her new smaller patio.

Make frequent use of the words “I'd rather”

Frugal people don't derive pleasure from having the newest model vehicle or the biggest house on the block. Their enjoyment comes from knowing they have a secure financial future. Frugal people know something their non-frugal peers haven't figured out yet: Each dollar spent is a dollar that could have been invested.

I want you to stop being concerned about keeping up with the Joneses and start making frequent use of the words “I'd rather.” Let's say you're talking with your neighbors who just bought a brand-new ski boat. They're very excited about taking it out for the first cruise of the summer. Because they know how much you love the water, they suggest that you should look into getting a boat too. What do you do?

First, resist the urge to hop in the car, drive to the nearest boat lot, and buy one that's got more horsepower than your neighbor's. Then say something like, "I love your boat. I'm sure it's going to be lots of fun, but I'd rather save up for the kids' college tuition. I don't want them to have to take out any student loans."

Do the math

Going out on your neighbor's boat with them: Free. That's called out-smarting the Joneses.

"I'd rather" is empowering. "I'd rather" says: I have choices and I'm making smart decisions. I'm not comparing myself to my friends or neighbors or coworkers. I'm not influenced by their decisions. I'm the captain of my financial ship. I'm in control.

When it comes to spending, remember you have nothing to prove to the rest of the world. Prove to yourself that you can be smart with your money. Make "I'd rather" a part of your daily life. Wouldn't you rather be debt free and sitting on a good nest egg?

Frugal homework

Here's another exercise that will help strengthen your frugal mind. I call it the Bargain Brand Challenge.

I'm always amazed at the money people will spend needlessly just because they're worried about looking cheap. While on a recent vacation, I had a conversation with a bus driver about the different hotels available around the area where we were staying. She cautioned me not to stay at certain more expensive hotels, because they were no better than their less expensive counterparts.

As strange as it sounds, companies realize that some people actually like paying more for things. It makes them feel important, a step above the rest of the crowd. They assume they must be getting more because they're paying more, but that's an incorrect assumption.

The bus driver had it figured out, but lots of people don't. Name-brand Nancy or name-brand Ned, as the case may be, won't buy anything that doesn't have that well-recognized symbol or registered trademark. For them, everything from hand lotion to hotels must be top of the line, the latest and greatest. No less than the (perceived) best will do.

But is that little symbol really worth those extra dollars? Does more expensive really mean better? Are you guilty of buying higher-priced things just because you think someone else will view them as better?

I'm challenging you, for one week, to choose one of the least expensive options available whenever you make a purchase. For example, if you need a box of cereal, buy the generic.

Do the math

\$ Price of a box of name-brand raisin bran—\$3.09.

\$ Price of a box of generic raisin bran—\$0.99.

\$ Difference—\$2.10.

\$ Savings if you purchased one box per week—52 x \$2.10, or \$109.20 per year.

\$ If you want to watch a movie, rent a DVD.

\$ Cost to take a family of four to the movie theater—4 x \$10, or \$40.

\$ Cost for a family of four to watch a movie rented from Redbox—\$1.

\$ Money in your bank account—\$39.

I guarantee you'll find that lots of less expensive things are just as good as their higher-priced counterparts. For some things, you'll decide the more expensive items really are higher quality and therefore worth the extra money. But you'll never know unless you explore all your lower cost options.

I'm not suggesting that buying cheap cheese or inexpensive ice cream is going to take you straight to the finish line of financial success. I'm not even suggesting you'll want to buy cheap cheese. I personally find that cheese in a can to be barely edible. What I am saying is that you need to buy the items that represent the best value for your money. If you buy something that costs less and tastes terrible, no one will eat it and you'll end up throwing it out. That's not a good value. On the other hand, if you pay extra for a name brand that's no tastier than a less expensive version, that's not a good value, either.

Examining the value in the little purchases you make will help you begin training your mind for life's financial marathon. Start small. Twenty-five cents off of toilet paper may not seem like a big deal, but eventually it'll add up, because your new frugal thinking will begin to expand to larger purchases. Suddenly you'll be shopping for a used car instead of new. You'll be looking for a home that has the features you need in a price range you can easily afford. Those things will have a huge impact on your financial future.

It's about your mind, not your money

Being frugal is a state of mind. Frugal people are very conscious of each dollar they spend. They have a heightened awareness during the spending process. They don't just swipe their credit or debit card blindly. They put thought into each transaction.

That's why, believe it or not, I'm not going to tell you to cut up all your credit cards or stop using your debit cards. Those things are merely the vehicle through which you do your spending. I hate to tell you this, but if you are in debt, your credit card is not the problem. Your lack of frugality is. If your checking account is constantly overdrawn, it's not the debit card's fault; it's yours.

Many people believe that credit and debit cards have replaced paper money as the root of all evil. In today's economy, credit cards have come to represent debt, and debit cards have come to represent mindless spending. What I believe credit and debit cards represent is technological advancement. If you have the right money mentality, a piece of plastic can't hurt you. (In fact, with points for cash back, free hotel rooms, and so forth, it can actually help you). But if you have the wrong money mentality, your finances will be in disorder no matter what kind of financial instruments you use.

To put the majority of the blame on the credit card companies or banks is a terrible mistake. Sure, both have engaged in some questionable practices, and in those cases, they do need to be reined in. But what happened to personal responsibility? Our country was founded on the principles of freedom, and we all know that with freedom comes great responsibility. That's why frugal people consistently employ the concept of "just because I can, doesn't mean I should."

When my friends put their large, extravagant home on the market, I thought to myself, "Why are they doing that? They can afford that home. So what if the maintenance costs more, big deal if the utility bills are higher. They can afford it." What I failed to see was that just because they could didn't mean they should. Their kids had gone off to college, and they didn't need all that space anymore. They had gotten a new dog and wanted a bigger yard. Their priorities had changed. Even though they could afford it, it wasn't the best use of their money. In fact, it had become a waste, and frugal people strongly disapprove of waste.

Embracing the "just because I can, doesn't mean I should" concept is a key part of developing a

new, more frugal mindset. I also want to stress this slight variation: Just because someone else will do it for me, doesn't mean I should. This is going to be particularly crucial if you choose to hang on to those credit and debit cards. Just because Mr. Major Credit Card Company will give you a \$25,000 limit, doesn't mean you should use it, and just because Mrs. Major Bank will give you overdraft protection of \$1,000, doesn't mean you should use that, either.

If you can become more aware of your spending and begin to believe that it's better done in moderation, if you begin to pay closer attention to each money choice you make, if you find and nurture your frugal side, you have taken big steps toward a successful financial future.

Surround yourself with positive people

Every year people make their New Year's resolutions. Going to the gym, getting the house organized, and spending less are some of the standards. Perhaps you bought this book because it was your New Year's resolution to get your finances in order. But frequently after a few months, or maybe even weeks, the resolutions become too difficult to keep. Extra pounds return, extra dollars get spent, and that storage room in the basement never does get cleaned out. It's such an established pattern, that one might say New Year's resolutions are made to be broken. Why is this the case so many times? The resolution is typically an admirable one that would be of great benefit if kept. Yet, it is still too hard to follow through.

One of the reasons is that resolutions are often too broad. To be successful, you have to set specific goals. Let me suggest a specific goal you should embrace in your quest to live more frugally: I will surround myself with people that want to see me succeed. Sounds simple enough, doesn't it? But one of the sad realities of our society is that often people find it difficult to stomach others' success and easy to revel in their failure.

You needn't look any further than the Tiger Woods infidelity incident to know this is true. I'm not saying that what Tiger did wasn't wrong. What I am saying is that the glee with which the media reported on his fall from grace was pretty apparent. People love to see success turn into failure. I suppose with celebrities, it just comes with the territory. Hopefully in your own life, you can find it easier to surround yourself with people who take a genuine interest in you and your success. More than likely, you already have a good idea who these people are and who they aren't.

The world can be a cold place. Jealousy, pessimism, and negative gossip seem to spread more quickly and with more gusto than kindness and optimism. But it's much warmer when you find those who are interested in lifting you up rather than tearing you down.

Encircle yourself with positive people. Ask for help when you need it, and reciprocate the support and encouragement you receive. Living more frugally is about your mind, not your money. There is no quick-fix, but the effort you put in will be well worth it. Embrace frugality, embrace "I'd rather," and embrace those who want to see you succeed.

Less Spending, More Balancing

A lesson in budgeting from a tyrannical toddler

When my younger daughter was 5, clearly past the toddler stage in years but not always in behavior, her tantrums began escalating in frequency and intensity. Bedtime became a true nightmare. Every night, my husband and I would brace ourselves for the fight. As soon as I would say, "It's bedtime," the screaming, crying, and gnashing of teeth would begin. My daughter didn't want to sleep in her own bed. In fact, she didn't want to go to bed at all. What she really wanted was to stay up and party all night long, all the while becoming more cranky and inconsolable with every passing minute.

What my daughter hated second only to bedtime was being told no. "Can we do spin art, Mommy?" she might ask. An answer of "No, I don't think we're going to get that out right now" would result in an immediate backlash. "But whyyy?" she would moan and then throw herself onto the floor and begin rolling around as if the injustice of it all was so great that she couldn't even endure standing upright.

My husband, my older daughter, and I began feeling like we were being held hostage. We walked on eggshells around her. We did what we could to appease her so we wouldn't have to listen to the loud, unpleasant tantrums. Sometimes nothing we did would work, at which point my husband and older daughter would typically flee the scene to another room and leave me to deal with my little darling.

As things continued, I began feeling what I imagine women throughout the ages have felt when things aren't going right in their household: guilt. I questioned myself: Had I given her too much? Had I spoiled her? She is the baby. Maybe I had ruined her for life by treating her like one. Then again, maybe I hadn't given her enough. I had been working on some extra projects, and maybe I hadn't been giving her the quality time she needed. Maybe this was her way of acting out.

Either way, the tantrums continued but they were pretty much confined to the walls of our own home. At school, she was an angel. Her teacher remarked at our conference that if all the children in the class were like my daughter, her job would be easy. I wondered if we were talking about the same kid, but I said nothing, thankful that at least my daughter's wrath only came down on those of us in the family.

Then one fateful day it happened. I pulled up to the school to drop my daughter off, and she wouldn't get out of the car. She launched into one of her fits, and I had to pry her out of the backseat and drag her into the building. Her teacher looked so surprised to see her crying and me clearly flustered. "I think we're just having a bad morning," I said sheepishly. Then I got in the car and did two things. The first was to cry myself. The second was to decide that this had absolutely gone too far. Things had reached an all-time low. I needed a plan and I needed to implement it swiftly.

I think I'm a pretty great mom, but this problem had presented me with a behavior challenge that I hadn't experienced in my parenting up to that point. In the moment, it had seemed easier for me to try to appease her so the tantrum would stop quickly. Sometimes it worked and sometimes it didn't, but clearly wasn't getting me anywhere in the long run.

I didn't need to beat myself up. What I needed to do was be firm, and I needed to do it consistently. But being firm can be hard work. What I realized was that I had known in my heart all along what needed to be done. I just hadn't done it.

That afternoon I informed my daughter that because of her behavior she was losing her outside play privileges and would be helping me with the laundry instead. This, of course, started a huge tantrum, but I held firm, and my older daughter went out to play while the younger one helped me put clothes into the washing machine. I informed her that this would be the way things went until the tantrums stopped. It took a few days, but stop they did.

My daughter is a few years older now, and her behavior at home has continued to improve greatly over time. It's almost hard for me to remember how truly difficult those tantrum days were. Honestly I don't know how much of the turnaround is attributable to my fabulous parenting and how much of it is attributable to Mother Nature, because I'm sure part of it is just due to the fact that she got older and grew out of it.

Maybe you've had an embarrassing money moment that caused you to reevaluate your finances. Maybe you bounced a check or had your credit or debit card declined. Perhaps it was even more serious, and you had your home foreclosed or had to file for bankruptcy. Or maybe it's just time for you to grow out of your haphazard money management ways. Putting discipline into your finances might not be a lot of fun. Neither is disciplining your children. But when you reach the point that you know it must be done (and I'm assuming you've reached that point because you're reading this book) you will find the motivation to do it. I'm not saying it's always going to be easy, but hopefully I can convince you that most of the time it doesn't have to be horribly difficult. It's time to put your foot down when it comes to your finances. It's time to say, "I've had enough. This is it. This has gone too far."

Create a balanced budget using "I have to" and "I'd rather"

If there's one cardinal rule of budgeting, it's this: Don't spend more than you make. Sounds simple, doesn't it? But the average American family spends \$1.22 for every \$1 it earns.¹ Your goal should be to create a balanced budget. Even though the government can't seem to do it, you can. When doing so, remember these two phrases: "I have to" and "I'd rather."

First, write down your monthly take-home pay after taxes and insurance; even better, put it into a spreadsheet program like Microsoft Excel. Then, write down all of your monthly bills that fall into the "I have to" category. This should include things like the payment on a mortgage you've taken out or an apartment lease you've signed. Payments on car, student, or credit card loans, and utility and medical bills would be other examples. In reality, very few things in life are true "I have to's," but for the purposes of this exercise, we're going to put anything where the money has already been committed and you have to make good on payment into this category.

If you subtract your "I have to's" from your take-home income, you will know how much you have left for the "I'd rather's." This category includes all your other expenses, such as groceries, gas, clothing, and entertainment. But wait—aren't groceries and gas "I have to's"? You have to eat. You have to put gas in your tank in order to get to work. But you do have choices about what to buy. Would you rather buy the name-brand cereal or the generic? Would you rather drive an SUV or an economy car? Savings also falls into this category. Would you rather take a trip to Europe or save that money for a real estate investment? (In the next chapter, I'll discuss how much you should be putting into savings, but here's a sneak peak. The figure I have in mind is 20 percent.) For the purposes of this exercise, we're going to put anything where the money has not yet been committed into this category.

Here's the result you're looking for: Take-home pay minus "I have to's" minus "I'd rather's" equals zero. This is a balanced budget.

Here's the result you might get: Take-home pay minus "I have to's" minus "I'd rather's" equals a

negative number. This is a deficit.

If you have a deficit, you'll need to trim your expenses, not only to get your budget balanced but also to carve out enough for savings. Here's the bottom line: Budgeting is all about making choices. You have a pot of money (your income), and you get to choose how you want to divvy it out each month. Divvying out more than what is in the pot is not a choice. You can't buy things you can't pay for—period. Stop considering credit cards as an option, unless you can pay them off each month. Stop borrowing against your home for day-to-day expenditures. And for heaven's sake, don't even consider one of those quick cash places. There are only two ways you can truly balance your household budget: spend less or make more. Anything else is merely living above your means.

Creating a balanced budget is an essential part of managing your household finances, but it's a task many people don't enjoy. They view it as tedious or intimidating, and about as exciting as watching paint dry. Budgeting reminds us that our money is not unlimited, and that's a message we'd often like to do without. But given the current state of the economy, it's one that should be shouted from the rooftops. You don't have the right to buy a \$500,000 house if you don't have the income to make the monthly payments. You do have the responsibility to manage your finances in such a way that they do not become a burden on your own family or the rest of society.

By the way, if you do this exercise and get this result, take-home pay minus "I have to's" minus "I'd rather's" equals a positive number, then you have a surplus. Congratulations! However, you want to be sure every dollar has a home. You don't want the extra money just sitting around in your checking account where you'll be tempted to spend it. You want it funneled into savings instead. And remember that even if your preliminary calculations show that you have a balanced budget or even a surplus, you may still need to do some trimming in order to carve out enough for savings.

Trim your budget

Trimming your budget may seem overwhelming. I believe this is largely due to the fact that we've convinced ourselves that so many of the luxuries in life are actually necessities. Here are just a few examples.

Satellite or cable TV and phone service

How does \$65 per month turn into \$135? I don't know, but ask the satellite companies; they can tell you. The add-ons to turn your home into a home theater can really add up: 250 channels, in HD of course, and that doesn't include the movie channels and the charges for extra receivers and DVRs. Good grief. Aren't 120 regular old non-HD channels more than enough? By the way, my husband will be vigorously shaking his head no as he reads this.

I don't know if the phone companies took a lesson from the satellite companies or vice versa, but they're clearly playing the same game: unlimited talk, unlimited text, and unlimited data. The only thing limited here is your bank account. And they stick it to you twice: once for a cell phone (for you and every other member of your family) and again for a land line.

Groceries

You've probably noticed that the price of food is on the rise. This includes everything from dairy to meat to produce. There are several reasons contributing to these increases. The first is extreme weather, such as droughts. Extreme weather causes damage to crops, which in turn causes supply to go down and prices to go up. In addition, there's an increasing demand for food worldwide due to growing populations.

Growth in biofuels, such as ethanol, has also increased the demand for corn. Corn is in approximately 75 percent of all processed foods in the grocery store, so the increased demand for corn causes an increase in the price of all kinds of foods.² Increased oil prices have also driven up the cost of transportation, which drives up food price.

Still, I always wonder what the people who say they can't feed their family for a reasonable amount of money are buying for dinner. If you're tightening your budget it's time to trade the steak for Spam and the mussels for mac and cheese. Okay, maybe Spam is pushing it, but you get the idea. Plenty of meals are well-balanced and low-cost, and there are entire Websites devoted to giving you low-cost recipe ideas in case you tire of the ever-popular spaghetti and meat sauce or hamburgers and french fries.

Here are a few tips to help you stay on budget at the grocery store:

- \$ Get a grocery store discount card. It's free and good for reduced prices and special sales at that particular store. Some cards even accrue points that can be used for discounts on other things such as gas.
- \$ Make a shopping list and stick to it. If you go to the grocery store without a list, you'll be more likely to make impulse purchases and spend more money than necessary. Get your children involved in helping to make the list and let them know that's all you're buying. This way they'll be less likely to beg for extras once you get to the store.
- \$ Don't put extra junk food on the list. Sticking to the items for three meals and two small snacks per day can also help you stick to your budget.
- \$ Plan your menu for the week based on what's on sale at the grocery store that week. Use the sale flyer to help you make your shopping list.
- \$ Look online for low-cost recipes. Remember to search for recipes that use ingredients that are on sale at your grocery store that week.
- \$ Buy in bulk for staple items that you use all the time. Buy reasonable quantities for the size of your family (not a five-year supply, but a one- to three-month supply).
- \$ Take dinner leftovers for lunch the next day. This can be a healthier and less expensive alternative to heating up a frozen meal, and much less expensive than eating lunch out every day.
- \$ Avoid products such as pre-made children's lunches and individual bags of chips. Children love these kinds of food because their packing makes them look fun and exciting, but they'll cost you a lot more than making the same lunch yourself and dividing out a large bag of chips into your own individual portions.
- \$ Buy generic. Take the Bargain Brand Challenge and find generic products that are a good value.
- \$ Use coupons, but only for things you need. Don't be tempted to buy something just because it's a good deal. Buying things you don't need is never a bargain.

Being extreme

\$500 worth of groceries for \$4.20. \$1,000 worth of groceries for \$10.39. \$1,500 worth of groceries for \$20.55. If you've been watching reality TV lately, you know exactly what I'm talking about: extreme couponing. Although I find it entertaining (I mean, who doesn't like to watch women dive into dumpsters to retrieve coupons for 50 cents off of croutons), I also find the concept financially flawed.

Here's the basic premise. The contestant fills several shopping carts to the brim, and heads to the

checkout aisle, where the full price of the groceries is rung up. Then the coupons are scanned, and we all watch in awe as that large dollar amount drops down to next to nothing. Extreme couponers will buy anything they have a good coupon for and they always buy in large quantities. This makes the show interesting but doesn't always make good financial sense. The problem is these people are "saving" on a bunch of things they don't even like or need. Two of my favorite examples are a lady who bought about 30 bottles of mustard for her family who didn't even eat mustard and a lady who bought a ton of diapers but had no children. Clearly, these people did get free stuff, but you can only call it savings if you're getting money off of things you would have normally purchased anyway.

A friend and I recently attended an event together at a local civic center. As I turned into the parking lot, I immediately became aggravated with the fact that all of the spaces right in the front had been taken. As I weaved in and out of the rows grumbling about how long it was taking to find a space (I mean, it had been at least 30 seconds since we had pulled into the lot), my friend turned to me and said, "Is this free parking?" I looked at her confused, as she proceeded to tell me that she was used to paying quite a bit for civic center parking. My friend had just moved from the city.

I parked the car about 10 rows back, and we headed inside. Of course, the concession stand was right there to greet us, and my friend popped over to check out what they had. When she reported to me that drinks were several dollars, I responded with, "I know. It's expensive, isn't it?" She informed me that she was used to paying twice that much. It was beginning to feel like a version of the City Mouse and the Country Mouse, and we got a good laugh out of it.

But remember that although cost may be relative, common sense isn't. I had a professor in college who would say, "I'm not going to keep hitting myself in the head with a hammer, just because it'll feel really good when I stop." You're not getting more for your money when you buy things you don't need in the first place. Three dollars is still a lot to spend for a soda, even if you're used to paying six. When you're assessing your finances, you have to throw all your preconceived notions out the window. Start from scratch and see if those dollars could be put to much better use. Figure out if something makes sense on a stand-alone basis, then decide how to spend.

My second pet peeve with extreme couponing is the idea that these men and women are doing the equivalent of earning a great salary by getting all of their family's groceries for free.

Do the math

The USDA calculates the average cost of food for a home at four different levels: thrifty, low-cost, moderate-cost, and liberal.³ Their calculations are also based on the number of people in the family. I pick a family of four and moderate-cost, the average weekly food cost as of June 2012 is \$236.60, an amount that could easily cover household items as well. Many couponers admit to spending about 30 hours per week couponing.

\$236.60 divided by 30 equals \$7.89 per hour, not the equivalent of a great salary, but the equivalent of a minimum wage job. All of the couponer's energy and enthusiasm channeled elsewhere could certainly earn more than that and be used for items the family actually needs.

What is the moral here? Don't be extreme; just be smart. If it won't be consumed within a reasonable time frame, don't buy it. That time frame should be about days, and if you'd like to limit to 30 or 60, even better. When it comes to coupons, clip them when they're for items you typically purchase. Otherwise, buy when things are on sale, and don't make couponing a full-time job.

Eating out

I love eating out. The amount of money I pay in restaurant bills is definitely one of the areas of my

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