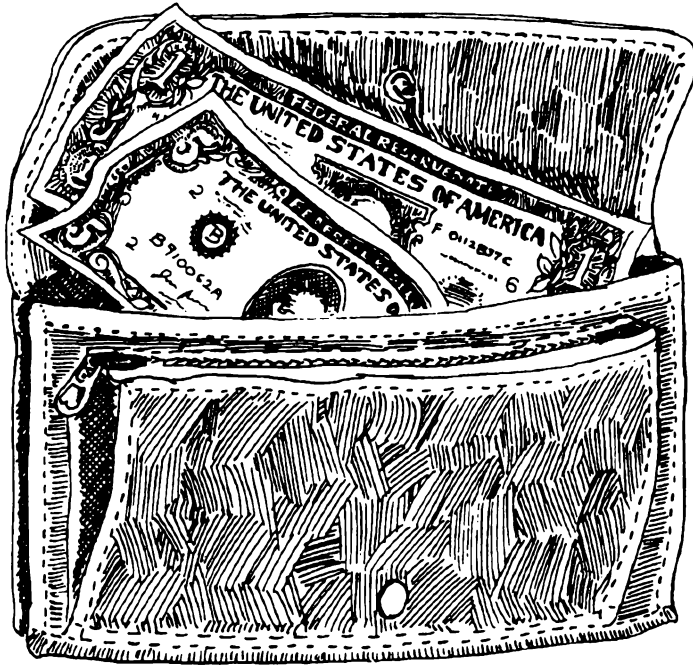


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HOW TO MAKE YOUR  
**MONEY**  
GO FURTHER

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Publication 354-028  
Reprinted 2002



**Virginia Cooperative Extension**  
*Knowledge for the Commonwealth*



**Recommended by Irene Leech, Extension Specialist, Consumer Education, Virginia Tech.**

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VT/013/0302/2.5M/223009/354028

# How to Make Your Money Go Further

What have you got to show for the money you make each month? Do you have good health, two cars, a home, a large savings account? Or do you seem to have a pile of debts and no assets?

The way you spend your money today will determine what you have six months from now, a year from now, five years from now or in your lifetime. **You** control your financial destiny. You are responsible for the amount of money you earn and for the amount of money you spend. Successful money managers control the way they spend their money. They use money to accomplish the things that are important to them. Good money managers **manage** their money rather than letting it dribble away from them.

Do you have control of the way you spend your money? Do you live within your income, or do you have to borrow money or use savings to meet your regular monthly expenses? Living within your income requires careful planning. It requires self-discipline and the ability to say no to unnecessary spending.

The ability to manage money has to be learned, developed and practiced on a daily basis. There are eight steps to successful money management:

1. Get yourself organized.
2. Decide what you want to do with your money.
3. Look at all available resources.
4. Decide how much money you are worth.
5. Find out how much money you make.
6. Find out how much money you spend.
7. Set up a plan for spending your money and stick to it.
8. Evaluate your spending plan.

Following these eight steps will help you get control of your spending habits.

## 1. Get Yourself Organized

Do you keep all of your bills and important papers in one location in your home? An organized business center will help you manage your family financial matters better. Keep all of your family records and business correspondence in **one location**. When you receive any bill or

important letter from a creditor, put the correspondence in its proper place in your business center. If you and a creditor disagree about how much you owe or the way you pay your bills, you have your own records to prove what has happened so far.

Your business center may be elaborate or simple. The type of system doesn't matter as long as you have some way to organize your financial papers. Papers may be separated by using large envelopes or individual file folders in a file box or cabinet. Another alternative would be to use a three-ring notebook with dividers. Dividers with pockets could be used to store loose-leaf papers.

Label the dividers for your notebook or files according to the types of records **you** keep. For example labels might be tabbed as follows:

net worth statement, record of earnings, record of expenditures, location of legal records, health records, real estate records, family papers, household inventory, employment records, automobile, housing, utilities, clothing, care and information, credit card and installment payments, insurance, tax records and general household information.

Keep supplies needed for handling your business transaction in your business center. Keep envelopes, stamps, pens, pencils, checks and a calendar at your fingertips to speed your monthly bill paying.

## 2. Determine Your Goals

What are some of the things you want to accomplish during your lifetime? Which of these costs money? You need to set up a plan for how you want to achieve these goals. Good money management begins with goal setting. Goals give you direction. They give you a purpose for the way you spend your money. Goals motivate and encourage you as you work toward doing things that are important to you.

How do you set goals for how you will spend your money? The first thing you need to do is think about the things that are important to you and your family. Read over the list below. Pick out the things you and your family feel are most important and place a **1** beside them. Place a **2** beside the things that are somewhat important. Place a **3** beside the things that are not very important to you and your family.

- |  |  |
|--|--|
| <input type="checkbox"/> religion                  | <input type="checkbox"/> recreation              |
| <input type="checkbox"/> education                 | <input type="checkbox"/> boat, fishing equipment |
| <input type="checkbox"/> family vacation           | <input type="checkbox"/> household furnishings   |
| <input type="checkbox"/> make lots of money        | <input type="checkbox"/> transportation          |
| <input type="checkbox"/> save money                | <input type="checkbox"/> car, truck, cycle       |
| <input type="checkbox"/> start a new business      | <input type="checkbox"/> new house/condo-        |
| <input type="checkbox"/> personal appearance       | <input type="checkbox"/> minium, apartment       |
| <input type="checkbox"/> clothes, shoes, makeup,   | <input type="checkbox"/> health                  |
| hair care  | <input type="checkbox"/> family activities       |
| <input type="checkbox"/> culture (theater, movies, | <input type="checkbox"/> friends                 |
| plays, dance, recitals)                            | <input type="checkbox"/> pay off debts           |
| <input type="checkbox"/> job success               | <input type="checkbox"/> jewelry                 |
| <input type="checkbox"/> prestige                  | <input type="checkbox"/> attract opposite sex    |
| <input type="checkbox"/> food                      | <input type="checkbox"/> entertainment           |
| <input type="checkbox"/> insurance                 | <input type="checkbox"/> other _____             |

As an individual, you may have trouble deciding which item is more important than another. It's even harder when two or more people live together as a family unit and share money. They may not agree on what is important. Because of this lack of agreement, it is sometimes hard to decide where money will be spent.

Once you decide what is important to you, this will help you see what things you want to work toward. For example, if you placed a **1** beside a new car, your goal may be to buy a new car.

Goal setting involves more than deciding what's important to you. To help identify goals, ask yourself these questions:

1. What do I want to do with my money?
2. How much will it cost?
3. How long will it take you to get that much money?

When setting your goals, make a list. Take a pencil and piece of paper and write down what you want to do with your money.

Make your goals very **specific**. Don't say, "I want financial security." Financial security is not very specific. Ask yourself what it takes to be financially secure. Your answer might be to have \$20,000 in savings when you retire in 20 years. Then you need to put \$44.30 a month in a 5¾% savings account each month for 20 years. Your **specific** goal then is to save \$44.30 a month from now until you retire.

This is a **clearly defined** goal.

Your goal should be **realistic, challenging** and **achievable**. Is it possible for you to take \$44.30 out of your monthly budget and still meet your necessary living expenses? If you can afford \$44 a month your goal is realistic, challenging and achievable. If you can only af-

ford to save about \$20 a month, then you might have to reduce your long-term goal from \$20,000 to \$10,000.

Goals should be **measurable and reachable within a given time period**. Specify the date when you want to reach your goal. You can't put a date on reaching financial security, but you can save \$20,000 if you put \$44.30 each month in savings for 20 years.

Your goals should be yours. Don't let someone else set your goals for you. You will be much more likely to reach your goal if it is something you really want to do. Goals are different for each individual and family. They change as you go through the different stages of life.

Once you set your goals, picture your goals in your mind. See yourself living in that apartment. Creative daydreaming puts your goals into your subconscious mind. Once your dream is in your mind, you start thinking of ways to reach that dream in ways you don't even realize. You automatically see ways to make your dream become a reality. Fix in your mind the exact things you want.

As you decide your goals, write down your short-term, intermediate and long-term goals. (Use Worksheet A) **Short-term** goals are the things you want to get done in the next week, next month, in six months or a year. **Intermediate** goals are the things you want to get done in the next one to five years. **Long-term** goals are the things you want to do in the next five or more years.

As you list your goals, decide which goals you want to use your money for first. As you set dates for reaching your goals, ask yourself which goals are the most important and which are the least important. Here are some questions to ask yourself as you decide which goal you will work toward.

1. How important is this to me and my other family members?
2. How urgent is this? If today is April 14 and you owe \$1,000 worth of taxes, that is more urgent than paying off a \$950 charge card debt.
3. What will happen if I don't work on this goal? If you owe a \$700 credit card bill, paying it off \$100 a month will cost you less money in interest than paying \$35 for 20 months. It may squeeze your budget to pay it off in seven months, but it won't cost you as much money.
4. What will I need to reach this goal in terms of money, time, energy, skills, knowledge and ability?

Goals are important keys to successful money management. Goals guide you. They can help you make your dreams come true within a specific period of time. Goals guide you so you use your money to do the things that are important to you.

### 3. Look At All Available Resources

To reach your goals, you'll need to look at all the resources available to you. They may include time, energy, skills, interests, knowledge, community service or material goods.

Public services such as the library, cultural events, health department, parks and transportation facilities provide services and recreation for the family at little or no cost.

### 4. Know How Much Money You Are Worth

How much money are you worth? If you added up everything you own and subtracted everything you owe, would you **own** more than you **owe**? Or would you **owe** more than you **own**?

Your financial net worth is determined by subtracting all you owe (your debts) from all you own (your assets). This information will be useful when determining your insurance needs, when applying for loans, when settling a divorce, or when planning your financial future. If you need to sell some assets to get cash to pay back debts, your net worth statement will let you see what assets you have and how much they are worth. Worksheet B can be used to assist you in calculating your net worth.

Listed below are some guidelines to assist you in calculating your net worth:

1. Have a real estate agent estimate the current market value of your home or make note of the sale value of houses in your neighborhood.
2. Have an expert appraise current market value of your furniture, antiques, art, jewelry, or other valuables.
3. Use a general merchandise catalog to estimate the value of other household items if you have lost the original sales receipt.
4. Check a newspaper to estimate the current value of stocks and bonds.
5. Read your insurance policy to determine the cash value.
6. Determine the value of your pension plan. This would be the value if you stopped working at the present time.

Get the appraised value of valuables in writing and ask the expert to sign the appraisal letter. For insurance purposes, these values need to be updated regularly.

Your net worth gives you an overview of your overall financial standing. Use your net worth statement to help you plan for your financial future. Use it to help you identify financial goals you would like to work toward.

### 5. Know How Much Money You Make

How much money do you have to spend each month to meet basic living expenses and help you reach your goals? The money spent each month comes from various places. Money is usually obtained from one or more of the following sources:

1. Earnings from wages, salary, tips, commission, rent, interest, dividends, social security, retirement benefits.
2. Money received from relatives, friends, or the government in the form of transfer payments such as social security.

Use Worksheet C to help you list your sources of income.

#### FIND OUT YOUR MONTHLY SPENDABLE INCOME

Find out exactly how much money you can spend each month.

1. Find your most recent pay stub.
2. Look at the amount of gross pay. Gross pay is the amount of money you earn before deductions.
3. Look at the amount of money going to each deduction. How much of your gross pay goes to each deduction (what percent)?
4. Look at the amount of your take-home pay. Your take-home pay is your gross income minus your deductions.
5. Look for your total spendable income. Total spendable income is your take-home pay plus money from other sources. (Use Worksheet D to help you figure out your spendable income.)

If you have an irregular income, estimate the total you expect to make for the entire year and divide by 12. Keep your estimate low. Workers such as salesmen, farmers, artists and writers have irregular incomes.

Make a spending plan for each month. Then when you get a check, spend it according to your budget. If you get an extra large check, stick with your original spending plan and put the extra in savings.

### 6. Know How Much You Spend

How much money do you spend for food, housing, transportation, clothing, personal care, medical care and other things? If you don't know how much you spend each month for these items, keep a record of your spending. Write down everything you spend every day for a month. When you make a purchase, write the amount down. The amount doesn't have to be exact, but close enough to help you see where your money is going. Use Worksheet E to help you see where you are spending your money.

After you have a written record of where all of your money is going, divide your spending into categories: fixed, flexible, and miscellaneous expenses. Spending can also be divided into daily, weekly, monthly, seasonal, or yearly expenses. Know what type of expenses you have. Know when and where you spend money so you can build a sound money management program.

**Fixed** expenses are the budget items you pay a specific amount of money for every month for a certain period of time. These obligations are usually enforced through a signed contract. Some examples are rent or mortgage payments, life insurance, car insurance, home insurance, and installment payments such as your car note.

**Flexible** expenses are the budget items you have more control over. You decide how much you will buy and how much you will spend. Flexible expenses include food, clothing, gas, electricity, water, phone, transportation, gasoline and car maintenance, personal care, medical expenses, furnishings, household expenses, education, and professional expenses.

**Miscellaneous** expenses are the extra items you purchase that may not be absolutely needed. Some miscellaneous expenses are records and tapes, reading materials such as magazines, and recreational activities such as the theater or movies.

We're lucky that all our expenses don't have to be paid at the same time. We spend some money on a daily basis. We spend some on a monthly, quarterly, semi-annual or annual basis. Write down when these expenses are due. (Worksheet F) Then set aside enough money so you can cover the expense when it comes due.

Some examples of seasonal expenses are property taxes, car, home, life and health insurance, license plates and vacation. Monthly expenses may include house payment, car note and utility payments. Daily expenses include transportation and snacks.

## 7. Plan Your Spending

Do you have a written plan to guide your spending? If not, use Worksheet G to help you plan your monthly spending.

First, write down the amount of money you have to spend each payday.

Use your information from Worksheet E to find out your monthly expenses. Then compare them to some spending guidelines, such as those in Table 1. These tables plus your record of expenses can help you decide how much to spend each month. Use Worksheet H to identify some ways to adjust your spending.

On Worksheet G, write down how much you would like to spend for each item. As you develop your plan, see if you have allowed money for the following items:

1. major expenses and future goals such as adding rooms to your home, buying a car, braces for your children's teeth, paying for your child's education, buying a boat, gifts or furniture.
2. emergencies such as tires, medical expenses, car accidents, unemployment, car repairs, dental bills, house repairs and appliance repairs.
3. seasonal expenses such as school supplies and clothes; house, car, health, life and disability insurance; registration fees for children such as football, baseball, basketball and tennis registration; family vacation; birthday and Christmas gifts and taxes.
4. debts or past-due bills.
5. monthly expenses such as savings or investments, rent or mortgage, utilities, household supplies, food, contributions, installment payments, and drugs.
6. daily expenses such as school lunch and supplies, tobacco, snacks, and meals out.
7. miscellaneous expenses such as civic club dues, gameroom, newspaper or magazine subscriptions, laundry, clothing purchases and repairs, theater, movie, recreational and personal care.

Write down how much you plan to spend throughout the pay period. Then try to stick with your plan. Remember to write down how much you spent and what you bought. Use those figures to calculate how much you actually spent. Then when you start the next pay period you can compare what you planned to spend and how much you actually spent, to plan how you will spend your next pay check.

### STICK TO YOUR SPENDING PLAN

Once you have put a dollar figure on what you will spend each pay period, what can you do to make yourself stick to your spending plan? Before you spend your next dollar ask yourself these questions:

1. Will this purchase help me reach my financial goals? If your goals are important enough to you, they will motivate you to stick with your plan.
2. Is this purchase listed on my spending plan?
3. What will I have to give up if I spend my money on this purchase? Do I really need this new pair of shoes or do I need this money to buy groceries or gas for the car?

Make your new spending plan a part of your daily life. Use it as a guide to help decide where you can cut your expenses. For example, you may want to save \$50.00 on

your clothing expenses and put that money in savings. Look for ways you can spend less money. Start using your spending plan today. **Don't put it off until tomorrow.** Tell someone else what you're trying to do, so they can encourage you along the way. Write down your new plan so it will be firmly planted in your mind.

Don't let an exception get in the way of your new spending habits. If you start taking your lunch to work so you can cut food expenses, eating out one day will discourage your new habit and keep you from reducing your food bill by \$50. Stay away from tempting situations.

Take advantage of every opportunity to break your old buying habits and encourage the new one. Continuously look for ways to reduce your spending.

Do something every day that will help you save money. You may cut one coffee break at work. You may take your own instant coffee to work rather than buying coffee at the company cafeteria.

Finally, develop a reward system for successfully following your spending plan. If you save \$600 by the end of the six months, then put some of the money in savings and keep a small amount to buy yourself a special treat.

## 8. Evaluate Your Spending Plan

After you live with your spending plan a while, look it over. If you put \$100 in savings at the first of the month and had to take out \$50 before the end of the month, then maybe you can only afford to save \$50 a month. That's OK. At least you know what you are able to save. Reviewing your spending helps you decide exactly how

much you can spend or save.

Review your spending plan regularly and revise it so it works for you. Here are some questions you can ask yourself as you spend your money. Is this the best use of my money right now? Will this purchase help me reach my financial goals? Is there something else I need to use this money for? If you have trouble reaching your goals, work on disciplining yourself to follow your spending plan. A sincere commitment and dedication to your spending plan can help you manage your money better.

## Summary

Do you control where your money goes? Or does it go here, there and everywhere? Guide your money so it goes where you want it to go by using a spending plan.

You can build a sound money management program if you

1. get yourself organized;
2. know what you want to do with your money;
3. look at all available resources;
4. know how much money you are worth;
5. know how much money you make;
6. know how much money you spend;
7. plan your spending and stick to it;
8. evaluate your spending plan.

Remember, what you have in the future will depend on what you do with your money today.

**TABLE 1**

**SELECTED GUIDELINES FOR SPENDING**

*Range of percentage of income spent on living expenses after tax deduction.*

<u>Item</u>	<u>Percentage</u>	<u>Example* Take Home Pay for A Family of 4 \$1,000/mo.</u>
Housing (including utilities and supplies)	33-35%	\$350.00
Food	18-25%	200.00
Transportation (gasoline-oil/public transportation)	7- 9%	90.00
Clothing	6-12%	60.00
Medical (including dental, prescriptions, health insurance)	6- 8%	60.00
Auto Insurance	2- 3%	
Life Insurance	2- 5%	50.00
Education Advancement	1- 2%	
Credit Obligations (including auto payment)	12-15%	140.00
Savings	2-10%	25.00
Recreation/Entertainment		
Church/Charities-etc.	2- 6%	25.00

Necessary living expenses (shelter, food, clothing and transportation) account for approximately three-fourths of take home pay.

\*This is only one example. Each family's situation will be different.

(Source: Consumer Credit Counseling Service  
Consumer Education Department of Atlanta)



**FAMILY GOALS**

Goal	When	Total Cost	Amount Per Month	Completed
<b>Short-term (within the year)</b>				
<b>Intermediate (1-5 years)</b>				
<b>Long-term (over 5 years)</b>				

# NET WORTH STATEMENTS FOR 3 YEARS

**ASSETS OWNED**

19 \_\_\_\_\_ 19 \_\_\_\_\_ 19 \_\_\_\_\_

Cash on hand	_____	_____	_____
Cash in checking accounts	_____	_____	_____
Cash in savings accounts	_____	_____	_____
Cash value of life insurance	_____	_____	_____
Savings Bonds*	_____	_____	_____
Money other people owe you	_____	_____	_____
Furniture and appliances	_____	_____	_____
Miscellaneous personal property* (furs, jewelry, antiques, heirlooms, boats, art, etc.)	_____	_____	_____
Cars*	_____	_____	_____
Home*	_____	_____	_____
Other real estate*	_____	_____	_____
Stocks*	_____	_____	_____
Bonds*	_____	_____	_____
Mutual Funds*	_____	_____	_____
Government Securities*	_____	_____	_____
Annuities and other retirement plans	_____	_____	_____
Other assets*	_____	_____	_____

**TOTAL ASSETS**

**LIABILITIES OWED**

\$ \_\_\_\_\_ \$ \_\_\_\_\_ \$ \_\_\_\_\_

Mortgage and liens	_____	_____	_____
Car loan	_____	_____	_____
Installment debts	_____	_____	_____
Personal loans	_____	_____	_____
Life insurance loans	_____	_____	_____
Charge accounts	_____	_____	_____
Other unpaid bills	_____	_____	_____

**TOTAL DEBTS**

**YOUR TOTAL NET WORTH**

19 \_\_\_\_\_ 19 \_\_\_\_\_ 19 \_\_\_\_\_

Total Assets	_____	_____	_____
Total Liabilities	_____	_____	_____
Net Worth = Assets - Liabilities	_____	_____	_____

\*Current Market Value

# DETERMINE INCOME

Amount

	Per Week		Bi-Weekly		Per Month		Per Year	
	gross	net	gross	net	gross	net	gross	net
Pay Check #1								
Pay Check #2								
Pay Check #3								
Pay Check #4								
Tips								
Commission								
Interest								
Dividends								
Gifts								
Annuities								
Social Security								
Retirement Benefits								
Child Support								
Alimony								
Public Assistance								
Veterans Benefits								
Other								
<b>Totals</b>								

# DETERMINE INCOME

	Paycheck #1		Paycheck #2		Paycheck #3		Paycheck #4	
	\$ Amount	%	\$ Amount	%	\$ Amount	%	\$ Amount	%
<b>Gross Pay</b>								
<b>Deductions:</b>								
Federal Taxes								
State Taxes								
Social Security (FICA)								
Retirement Plan #1								
Plan #2								
Plan #3								
Insurance: Hospitalization								
Accident								
Disability								
Life								
Other								
Miscellaneous: Savings								
Credit Union								
United Appeal								
Union Dues								
Uniforms								
<b>Total Deductions</b>								

Gross Pay - Total Deductions = Net Pay

\$ \_\_\_\_\_ - \$ \_\_\_\_\_ = \$ \_\_\_\_\_

\*To find out what portion of gross pay is used for deductions, divide your deductions by gross pay and multiply by 100.

$$\frac{\text{Total deductions}}{\text{Gross Income}} = \frac{\$529.85}{\$1541.67} = .344 \times 100 = 34.4\%$$

$$\frac{\text{Spensible Income}}{\text{Gross Income}} = \frac{\$1011.82}{\$1541.67} = .656 \times 100 = 65.6\%$$

If your total deductions are \$529.85 and your gross pay is \$1541.67, then 34.4% of your income goes for deductions and you get to keep 65.6% or \$1011.82 to spend.

# EXPENSES

Date Due	Item	Amount		
		Week	*Month	Year
	Savings, Investments			
	Housing-rent or mortgage			
	Utilities			
	Electricity			
	Gas or other fuel			
	Water			
	Telephone			
	Garbage			
	Home Furnishings & Equipment			
	Household Maintenance & Repair			
	Childcare			
	Household Help			
	Transportation			
	Automobile Payment(s)			
	Gas			
	Maintenance			
	Bus, Taxi, etc.			
	Food & Groceries			
	Meals eaten out			
	Alcohol and tobacco			
	Clothing			
	Personal Care			
	Laundry/dry clean			
	Hair care			
	Spa or health club			
	Insurance			
	Automobile			
	Property			
	Home			
	Medical			
	Disability			
	Other			
	Medical			
	Doctor			
	Dentist			
	Drugs			
	Others			
	Recreation or Entertainment			
	Cable T.V.			
	Business Expenses			
	Taxes			
	Gifts			
	Contributions			
	Education or Self-improvement			
	Monthly Installments			
	Department stores			
	Bank charge cards			
	Oil companies			
	Loans			
	Other			
	Miscellaneous			

\*Multiply amount per week X 4.3

**Total**

**SEASONAL EXPENSES**

<b>JANUARY</b>	<b>FEBRUARY</b>	<b>MARCH</b>
<b>APRIL</b>	<b>MAY</b>	<b>JUNE</b>
<b>JULY</b>	<b>AUGUST</b>	<b>SEPTEMBER</b>
<b>OCTOBER</b>	<b>NOVEMBER</b>	<b>DECEMBER</b>

# PAY CHECK PLANNING SHEET

Date of Check											
Amount of Check											
Item	Plan	Spent	Plan	Spent	Plan	Spent	Plan	Spent	Plan	Spent	
Savings, Investments											
Housing-rent or mortgage											
Utilities											
Electricity											
Gas or other fuel											
Water											
Telephone											
Garbage											
Home Furnishings & Equipment											
Household Maintenance & Repair											
Childcare											
Household Help											
Transportation											
Automobile payment(s)											
Gas											
Maintenance											
Bus, taxi, etc.											
Food & Groceries											
Meals eaten out											
Alcohol and tobacco											
Clothing											
Personal Care											
Laundry/dry clean											
Hair care											
Spa or health club											
Insurance											
Automobile											
Property											
Home											
Medical											
Disability											
Life											
Medical											
Doctor											
Dentist											
Drugs											
Others											
Recreation or Entertainment											
Cable T.V.											
Business Expenses											
Taxes											
Gifts											
Contributions											
Education or Self-improvement											
Monthly Installments											
Department stores											
Bank charge cards											
Oil companies											
Loans											
Other											
Miscellaneous											

# THE BALANCING ACT

Family spending must often be adjusted to stay within income limits. Take a few minutes to complete the exercise below.  
Can your family:

	YES	NO
Reduce grocery expenses		
Cut down on meals eaten out		
Cut consumption of non-nutritious beverages		
Maintain current home		
Find more economical living quarters		
Take on more home maintenance and repair jobs		
Eliminate hired help inside or out		
Use utilities and household supplies more carefully		
Avoid buying new home furnishings unless needed		
Consider used furniture		
Select easy-care household fabrics and appliances		
Spend less for clothing and personal care		
Cut down on trips to beauty shop or barber shop		
Purchase a more economical car		
Cut down on vacation travel		
Use public transportation more		
Cut down on expensive hobbies or activities		
Take advantage of free activities		
Make use of public library instead of subscriptions and purchased books		
Use public recreational facilities		
Reduce contributions or make them proportionate to income		
Give fewer gifts or spend less on gifts		
Cut back on face value of life insurance		
Convert some life insurance into annuity		
Know what income is not taxed		
Keep present group health insurance		

List some of your own ideas for cutting expenses: