

January 2009 *MoneyMinute* – Rediscover the Joy of Spending

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Are you saving regularly (at least 10% of your income)?

Do you use credit responsibly (you do not have any revolving debt)?

And yet, you feel broke and wonder what happens to all the money you earn.

Then your spending pattern may be in a rut.

It can be stressful when our spending ends up dictating our values, instead of our values dictating our spending.

Budgeting is all about setting priorities – not about deprivation and scarcity. Now, if I had titled this *MoneyMinute*, “The Joy of Budgeting,” would you have opened the email?

To begin, some record keeping is required. Many people use Quicken, Mint.com, or online banking to track their spending. Cash is a bit tricky because no one wants to write down every \$3 coffee or \$2 for parking. To keep it simple, track your cash purchases (round to the nearest dollar) for one month and use that amount (times 12) as an approximation for the whole year.

Once you have your spending data, now what?

Choose one or two categories where you feel you are overspending. Focusing on just one or two categories for the whole year makes this process easier to handle. Some examples could be:

- Utilities: home phone, cell phone, electric, cable, internet services
- Food: groceries, dining out, lunches at work, coffee, beer and wine
- Auto: fuel, insurance, service, car wash, parking, how often do you replace your car?
- Hobbies
- Clothing
- Gifts
- Or any other category that seems out of line to you

Now get creative, says financial planner and author Bert Whitehead in his 31-page book, “Creative Budgeting.” Squeeze and substitute: Decide how much you want to squeeze out of a category and then go for your goal. As you are working on squeezing your expenses, consider creative substitutions. These substitutions are critical so that you feel enriched by the process, rather than deprived of what you’re giving up.

Here are examples of this squeeze and substitute process:

Food: The amount of money people spend on food can be shocking. A couple came to see me regarding their finances. They were spending \$36,000 a year on “food.” When digging a little deeper it turns out that they go out once a month with very wealthy friends and will drop \$700+ for dinner with wine. They realize the absurdity of trying to keep up (spending-wise) with friends who are in a vastly different economic bracket.

They went to work on this category and decided to cut this spending in half. They learned to cook, took classes, and found they really loved it. They now invite their friends over for dinner and the friends bring the wine. And best of all, they now have a hobby that they can share. Their lives are richer.

Auto: Which gas stations offer the best price on fuel? GasBuddy.com lets you look at gas prices in your area: http://gasbuddy.com/Gas_Prices/California/index.aspx. How often do you replace your car? If it's every 6 years, consider your savings if you wait 7 or 8 years.

Bert Whitehead tells the story of how he evaluated his insurance. His deductible was too low, so he raised that. He was under-insured in some areas so he corrected that. Then he shopped his insurance to find the lowest price. Then on the creative side, he had a meeting once a month 30 miles away. He called a colleague to ask about carpooling. It turned out to be more enjoyable to carpool and soon another colleague asked to join.

Cable TV: Are you really watching all the premium channels you pay for? If you're subscribing mostly for movies, get a basic Netflix plan (their selection of movies, TV shows and documentaries is unbeatable), or borrow DVDs from your local library.

Best of all, you get to reap the benefits from squeezing and substituting for many years to follow. When your spending aligns with your values your life becomes richer due to the new experiences.

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