

## Cutting Costs

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### Introduction

In our society we have become accustomed to being extravagant with resources. These resources cost money. If a family wishes to cut expenses, there are usually many ways in which to do this. Most of the following suggestions will not save a huge amount of money by themselves. But, if you begin practicing several of them, you should be able to experience a significant reduction in day-to-day living expenses. Some of these ideas may not work for your family. Select the ones that will work and start practicing them today.



### Ways to Cut Expenses

A good way to cut expenses is simply to not make new purchases of nonessential goods or services until you have paid all or at least most of your old debts.

This means putting off buying new furniture, appliances, clothing, a car, or taking a vacation until the current level of debt is reduced.

### Buy Less On Credit

Another way of cutting expenses is to pay fewer dollars in interest by buying less on credit. The dollars spent for interest charges might be better used for buying goods or services or for adding to a savings plan. Shop for a credit card with the lowest interest rate and annual fee. Pay off high-interest charge accounts with a lower-interest loan from a bank, savings and loan as-

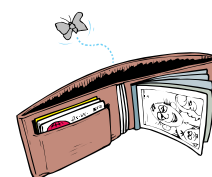
sociation, or credit union. It is best to pay off the debt with the highest interest rate first.

### Plan purchases

Plan purchases, don't just "go shopping" until you find something to buy. Plan purchases when sales will allow greater savings. However, don't just buy something because it is on sale. Do not buy from door-to-door sellers. If you really need the product, you can usually get better prices and more reliable service at a local store.

### Carry Less Cash

Remove yourself from the temptation of making impulse purchases by carrying less cash and leaving credit cards or checkbook at home unless you need to make a planned purchase. Consider carrying travelers checks and only use them in an emergency.



### Rent Rather Than Buy

Rent rather than buy expensive items you rarely use. Lawn and garden care products are a good example. Maybe several pieces of equipment can be shared among neighbors, with sizable savings to all persons involved.

### Not All Expenses Can Be Cut!

The best example of this is rent or mortgage payments. Monthly payments for a car or other credit generally stay the same until paid off.

Most other expenses are adjustable. These include the day-to-day expenses for food, clothing, household supplies, and entertainment.

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## **Small Things are Important, too.**

### **Financial Services**

Banks, savings and loan associations, and credit unions offer similar services. It may be worthwhile to examine how you use these different financial institutions. What services do you receive and what do you pay for these services?

Are you paying for the services you really need? Would another checking plan suit your needs better? Accounts at several places are likely to duplicate services and increase service charges. Could all of your needs be served by only one financial institution?

### **Receipts For Donations**

If you donate clothing or other items to charitable groups, get a signed receipt for tax purposes. If you don't get a receipt, a list of your donated items will probably be accepted by the IRS.

### **Irregular Expenses**

Plan ahead for irregular expenses such as insurance, car license tags, and gifts. Save a little out of each paycheck for these expenses rather than paying a large bill out of current income.

### **Recreation**

Exchange home entertaining with friends: "pitch in" parties, card playing, gourmet clubs, or "potluck" dinners. Plan vacations in areas where you have family and friends who have invited you to stay with them.

Make use of public facilities such as beaches, concerts, parks, local team sports, art centers, museums, or free attractions.

### **Evaluate Insurance**

Insurance costs many dollars, but dropping insurance may not save money. Some insurance protection is needed. Instead, shop around. There may be as much as 50 to 100 percent difference in premium charges for the same level of coverage. Paying premiums annually or semi-annually is usually cheaper than paying monthly.

Don't have overlapping medical insurance coverage. If you and your family are covered through employment, there is no need for other policies.

Ask the doctor to prescribe a drug by its generic name rather than by brand, especially for long-term prescriptions. The generic name is the common name. Save all receipts from medical bills, prescription drugs, dentist bills, eyeglass bills, and special medical equipment. Also keep track of the number of miles driven to the doctor or pharmacy. All of these items are tax deductible on Schedule A of your federal income tax return.

### **Cleaning Supplies**

Chlorine bleach is the best disinfectant and bathroom cleaner. Baking soda removes baked-on grease spots on the stove.

Ammonia in water is a good cleaning solution -- great for stripping wax from floors. For cleaning windows and mirrors, fill spray bottle with windshield washer solution, vinegar and water, or ammonia solution. Just spray on the surface and wipe with crumpled newspaper.

### **Gifts and Contributions**

Consider giving time and/or services instead of money and gifts. Set a limit to spend for family members at Christmas or birthdays. Discuss not giving gifts to friends and people at work. At Christmas, arrange gift exchanges instead of buying individual gifts for each family member, fellow employee, etc.

### **Compare Before Buying**

Don't settle for mediocre or poor quality goods just because they're cheap, especially if you plan on using them for a long time. Poor quality goods are often discarded because they don't look good, last long, or serve the intended purpose.

Pay attention to quality. You may get more wear from more expensive clothes. Often they last longer. Remember that classic styles and simple lines are wearable for longer periods of time than are fad fashions.

Shop at resale shops, factory outlets, and discount stores. Always check to be sure that the "factory" or "discount" prices are indeed lower than retail prices.

## **Reduce Transportation Costs**

Car expenses can be cut by driving less. Don't make extra trips to the store for one or two items. Plan ahead. Shop for one or two week's groceries at a time. Pick up milk or other perishable items more often but avoid convenience stores.

Drive the family car less and keep it longer. It may be cheaper to buy gasoline for a large, older car than to pay a premium price for a smaller, economy car. Insurance would also be less expensive on the older car. For older cars, consider dropping collision protection since the cost may be too high in relation to the car's value. Consider higher deductibles which lower annual costs.

Consider whether it would be cheaper to use public transportation (if it is available) or car pool to work rather than own a second car. Expenses of the second car in addition to the purchase price include insurance, license plates, repairs, fuel, personal property taxes, and interest charges (if the car is purchased on credit).

## **Spend Less On Utilities**

Reduce electricity and fuel costs by lowering the thermostat in winter. Turn down the thermostat at night and while you are gone. Have an energy audit done to see where you can save more money. Turn off heat in unused rooms and shut off lights that aren't being used. A few dollars spent on caulking to seal cracks around windows is a worthwhile investment.

Wash clothes only when you have a full load. Do cold water laundry when appropriate and cold rinse for all loads. Hang-dry clothes to avoid dryer cost. When using oven for meal preparation, arrange to do baking at the same time or shortly afterward.

Reduce hot water usage as much as possible. Don't let water faucets drip, particularly hot water faucets.

## **Reduce Telephone Expenses**

Examine the telephone bill to see when long distance calls are being made. Call when rates are reduced or write instead of calling. An inexpensive tape recorder can provide family fun by sending and receiving "tape letters." All family

members can talk to grandma and grandpa for a very low cost. Make a list of the items you wish to discuss before you call and then keep to a time limit.

Consider getting a speaker phone so that all members can participate at one time and you don't spend extra money telling each family member the same thing. Explore economy/budget rate service instead of full service.

## **Cut Food Expenses**

Don't overfeed the family! To protect both the family's health and the pocketbook, eliminate snack foods and soda pop from the market basket and concentrate on nutritious food items. Our cultural tastes have caused people to over-eat meat products.

Cut down on meals away from home. Pack sack lunches for family members to take to work and school. Arrange "pitch-in" dinners instead of going out to a restaurant.

Spend time preparing food and eliminate the extra costs of convenience; for example, make home made chili instead of using canned chili. You will usually get extra nutrition for less cost.

Never throw away leftovers. Mix small portions of vegetables together or use vegetables and meats in stew or soup. Hide food so it isn't eaten unnecessarily. Drink water rather than soda or sweetened juice.

## **Family Participation**

One of the most effective ways of reducing expenses is to involve all family members. Children do not have to know all of the details of the family income and expenses. Tell children as much as they can understand for their age. They should know why it is necessary for the family to cut their spending.

It is difficult or perhaps impossible for family members to go along with a new plan for spending the family money if they do not understand why it is necessary. Their help is also easier to obtain if each family member has an opportunity to participate in cutting expenses and making a new plan for the family income.

## How The Family Can Help

Have each person in the family complete the following activity. Compare answers to gain insight as to where family agrees that spending could be cut.

## Family Activity

Rank the following list of ten household expenses according to where cuts in family spending could be made. The first area to be cut would be ranked number 1, the second area to be cut is number 2, and so on through number 10.

- |                                  |   |
|----------------------------------|---|
| _____ Food                       | _____ Household Upkeep  |
| _____ Clothing                   | _____ Gifts and Contributions                                   |
| _____ Health Care                | _____ Family Transportation                                     |
| _____ Recreation & Entertainment | _____ Household Equipment (appliances & furniture)              |
| _____ Personal Allowances        | _____ Personal Items (cosmetics, newspaper, magazines, hobbies) |

Take the top four areas selected by the family and list four ways that expenses in each category could be reduced.

1st \_\_\_\_\_

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

2nd \_\_\_\_\_

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

3rd \_\_\_\_\_

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

4th \_\_\_\_\_

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

## Now Do It!

Now that suggestions have been made for cutting family expenses, try it for awhile! The money from these budget cuts can be used to pay off existing debts, especially credit card charges. Or the money can be saved for future needs, to make major purchases with cash instead of on credit, or to provide a fund for emergencies.

Adapted from:

"Reducing Costs," More From Your Money series, by Jeanne M. Hogarth, Cornell University, no date.

"Cutting Costs To Live Within Income," by Gerald A. (Jerry) Bird, Virginia Cooperative Extension Publication 354- 155, December 1982.

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