



## Decrease Your Expenses

Do you find yourself running short on cash month-to-month? The solution is easy to identify but may be challenging to execute: increase your income and/or decrease your expenses. Here are helpful tips for decreasing the expense side of your money picture:

### 1. Track your spending

To get a clear picture of how you actually spend right now, it may help to keep a spending diary for a month or two. This means saving your receipts and writing down the items and amounts for everything you spend.

### 2. Divide your expenses into categories

There are three types of expenses: fixed, flexible, and discretionary. In order to manage your expenses, it's important to know the difference among the three.

- **Fixed expenses** are regular amounts that generally don't change much. They can be monthly expenses like rent or car payments. Or they can be bills you receive less often, like car registration or insurance.
- **Flexible expenses** also happen on a regular basis and are also for necessities. But with flexible expenses, you have more control over how much you spend. For example, how much you spend on groceries or how many long distance phone calls you make in a month.
- Finally, there are the expenses you have the most control over. These are called **discretionary expenses**. This is the money you choose to spend, but don't necessarily *have to* spend on things like clothes, movies, and going out to eat. Another important discretionary expense is savings. It's up to you to decide how much of your money you're going to set aside for your future.

### 3. Pay your bills on time

When you pay your bills on time, you avoid:

- Late fees
- Extra finance charges
- Disconnection of (and re-connection fees for) phone, electricity, or other services
- The cost of eviction
- Repossession of cars or other items
- Bill collectors

### 4. Reduce fees and interest payments

- Avoid overdrafts! Ask your bank about overdraft protection.
- Whenever possible, use ATMs where you won't incur a fee.
- Steer clear of high-cost check cashing stores, payday loans, and credit card cash advances.
- If you have debts, pay off your highest interest accounts first. Investigate whether you can get a reduced interest rate by consolidating your loans.

## **Decrease your expenses (continued)**

### **5. Be a savvy shopper**

- When making a purchase, consider your needs. Resist impulse buying. Ask yourself what needs you're trying to fill by making this purchase. Is this item something you want or truly need?
- Determine your budget. Decide how much you can spend on this purchase and still cover your other expenses.
- Research and inspect products before you buy. Determine when, how, and where to buy the item to get the most for your money.
- Comparison shop. Shop around by Internet, compare ads in the newspaper, shop by telephone, and look at catalogues, too. Call three stores to compare prices, models, warranties, and the store return policies. Be sure to confirm the price. Ask about any extra charges, like delivery.
- Watch for sales, coupons, and rebate offers to get the best price. Depending on the item and the store, you may be able to negotiate the price.
- Find the best overall value. Remember, your goal is value, not just the lowest price tag. Look for the features and quality you want, good customer service, a fair price, and a flexible return policy.

### **6. Make tradeoffs**

Most people can't afford everything they want to buy, so they have to make tradeoffs. Making tradeoffs may mean giving up things you can do without, or buying something less expensive that still meets your needs, in order to afford the things that are most valuable to you.

### **7. Review your insurance**

Review the types of insurance you have, your coverage and deductibles. Comparison shop with different insurance carriers. While you want to maintain adequate coverage, you may find ways to save. Ask your insurance carrier(s) about any discounts or special rates you may qualify for. For example:

#### **Home insurance**

- Can you receive a discount by adding smoke alarms or other protective devices?
- If the value of your home has depreciated since you purchased insurance, are you eligible for a rate reduction?
- If you are paying for Private Mortgage Insurance (PMI), check with your lender to see if you are currently required to have it.
- Find out if your insurance cost is based on the total value of your house and land. If so, you may be able to cut costs by paying rates based only on the value of the house.

#### **Car insurance**

- Ask your agent about possible discounts. Many insurers offer reduced rates based on safe driving records, safety devices (alarms, airbags, etc.), non-smoking, and good grades (for high school and college students).
- Consider temporarily dropping or reducing any optional coverages until your financial situation is stronger.

#### 8. Save on transportation

- Owning a car is a major expense, so consider whether you really need one. You can save a lot of money if you really don't need a car or can manage to live without one. By not owning a car, you can avoid saving for a down payment, making monthly car loan payments, and all of the other expenses that go along with car ownership such as insurance, gas, maintenance, and repairs.
- Explore alternatives to car ownership. There are definitely cheaper ways of getting yourself from here to there. Consider taking public transportation if available in your area; getting a moped; or, riding in a carpool. If you can walk or ride your bike, you'll save money and get some free exercise. Having one less car on the road cuts back on traffic and air pollution. Even if you don't own a car, you can rent a car now and then when you need one.
- If you take public transportation, it may be much less expensive to buy monthly pass than to pay by the ride.
- When driving, try to combine your errands into one trip. Plan your route to minimize your mileage.
- Keep your car in good working order. When a vehicle runs well, it costs less to use.
- If you currently use more than one vehicle, consider cutting back to just one.

#### 9. Get frugal about food

- Save money by cutting back on restaurant meals.
- Make a grocery shopping list and bring it with you.
- Shop at discount or regular grocery stores vs. higher-priced quick stop stores.
- Watch for sales and coupons.
- Buy products you use frequently in large sizes or bulk quantities.
- Consider joining grocery store clubs. Membership may entitle you to discount prices.
- Buy lower-priced generic or store brand items when available.
- Avoid grocery shopping when you're hungry.
- Limit your number of grocery shopping trips. This can help you reduce spending on impulse items.
- If you have school-age children, find out if your family qualifies for free or reduced-price school meals.

#### 10. Economize on utilities

- Ask your utility companies about discount plans you may qualify for. Some offer payment plans so that your utility bill is same amount every month. This can help you stabilize your spending.
- Vacuum vent registers and wall heaters at least once a year. Make sure that your furniture is not blocking them.
- Follow the manufacturer's guidelines to use your furnace and water heater in a high efficiency manner.
- Reduce your water bill by using low-flow plumbing fixtures.
- Keep your home in good repair. Leaky faucets and drafty doors or windows increase your costs. The repairs are often simple and inexpensive.
- Replace your conventional incandescent light bulbs with fluorescent bulbs. Fluorescent bulbs can last up to 10,000 hours and use roughly 70% less electricity.

## **Decrease your expenses (continued)**

### **11. Hold the line on home telephone**

- Comparison shop for home phone service.
- Analyze your phone usage, especially long-distance. Could you save money by using long distance calling cards?
- Which special features do you really need? Find out if you can spend less by cutting back on non-essentials.
- If you receive public assistance, you may be eligible for reduced-cost phone service.

### **12. Save on cell phone service**

- Shop around for cell phone service.
- Know your needs. Look at your past phone bills to see how many minutes you have typically used per month. What are your calling patterns?
- Explore package deals that meet your needs. Many carriers offer “family plans” that allow you share minutes and text messages with others.
- Consider what features you really need and will use.
- Watch out for high text messaging and web access charges
- Ask questions. Make sure you understand all the features and fees.
- Read the contract before you sign—including the fine print.
- Keep track of your usage. Some companies let you review your account online or by phone.
- Pay your bill on time and in full. This will save on late fees. It’s also an important step in building and maintaining good credit.
- When you renew a service contract, ask if you’re eligible for a free phone upgrade or price discounts on new models.
- If you decide to cancel your service to reduce your costs, double check your contract regarding cancellation fees.
- If you use a prepaid phone, buy minutes in higher blocks to reduce the cost per minute.

### **13. Cable, satellite and Internet service**

- Consider your needs for these services.
- Shop around. Compare what’s offered by different vendors.
- Explore package deals and low-cost providers.

#### 14. Cut costs on healthcare

- If you have health insurance, save money by selecting providers in your network.
- If you don't have health insurance, look for a nearby community health center. Many offer services on a sliding scale depending on your income.
- Let your physicians know that you are trying to economize on prescriptions.
- If you need a prescription, ask your physicians if they have any no-cost samples from pharmaceutical companies.
- Ask your physician and/or pharmacist if there is a lower-cost generic version of the prescribed drug.
- Explore mail order pharmacies. Many offer discounts on orders of three months or more.

#### 15. Tips for travel and entertainment

- Airline ticket prices frequently fluctuate. Start pricing tickets at least 21 days in advance of your trip. Some airlines and travel Web sites offer special rates very near the flight date.
- Be flexible about the hours and days you will fly. Sundays, Mondays and Fridays are usually the most expensive days to fly.
- Search your local newspaper and online for restaurant and entertainment coupons and other discounts.
- Save money on movies by going to bargain-priced shows. If allowed, bring your own snacks to the theater.

#### 16. Get creative

Think about ways you might be able to obtain something you want at a lower cost or even for free. For example:

- Take advantage of free events in your community, such as festivals, sporting events, concerts, theater, etc.
- You might be able to see a play or hear a concert by volunteering to usher.
- Get some friends together in order to qualify for a volume or group discount.
- Borrow books/videos/CDs from the library vs. buying them.
- Share a magazine subscription with a friend rather than buying single issues off the rack.

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