



8 steps TO STOP LIVING PAYCHECK TO PAYCHECK

Marilyn Lewis • MoneyTalksNews.com

Are you stuck in the all-too-common habit of living paycheck to paycheck? It's a self-defeating cycle. You simply can't get ahead that way.

But escaping isn't easy, especially if your paycheck is tight. Change involves not just the hard work of making a new habit, but also changing your ways of thinking.

People do make this leap. They pay off huge debts, reach ambitious savings goals, and turn their financial lives around. If you intend to be one of them, read on for a road map.

1. KNOW WHERE YOUR MONEY GOES

Some people swear by budgeting. Others are happier just tracking their expenses. Whichever you prefer, make sure you can see where your

hard-earned money is going, right down to the last nickel. Keeping a careful eye on your spending is critical to getting a grip on overspending.

Don't worry: Budgeting and expense tracking need not be painful. Look for apps or online programs to help, or simply jot down what you spend with a pen and paper.

2. MAKE SAVING PAINLESS

What are your dreams? Whether they include a comfortable retirement, launching a business, putting kids through college or buying a new home, you'll need to translate those dreams into savings goals to make them a reality.

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YOUR QUESTIONS ANSWERED

Alicia Kellebrew
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Q: I got an unexpected bill that needs to be paid. How can I drastically cut my expenses to save money?

A: The first thing to do is write out the costs of all your essential living expenses – housing, groceries, medical care, utilities (heat, water, sewer, electric, and/or garbage), and gas to get to work.

Next you would add your secured debt payments such as a car and your student loans, because you need your car to get to work and student loans can't be included in a bankruptcy filing. Any other expense that is part of a contract would go in this second round, too, such as a cell phone bill or gym membership that you are locked into.

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YOUR QUESTIONS ANSWERED CONT.

Add up the expenses to see what cash you have left to work with. If it is not the amount that you need, you have a few other options, including contacting who you owe the new bill to in order to see if they will make payment arrangements with you.

For medical bills, there are hardship programs available that will reduce or eliminate parts of bills owed if you qualify, but you must apply. Other creditors like mortgage, car, or student loan lenders also sometimes offer payment deferments in cases of hardship, but again, you have to reach out and ask for assistance. For any expenses for which you are locked into a contract, like cable, you can try asking for a temporary shut off for a month or two to free up that money.

Lastly, if none of the other options work, you could always look into bringing in more income. Some ways to do this may include picking up extra hours at work, picking up a temporary part-time job, donating plasma, selling items around your home that you no longer use, or doing odd jobs such as babysitting, yard work, or cleaning for others.

Financial counselors at The Village can help you go through your budget and find ways to save more or spend less. Financial counseling appointments can be accessed at no cost through your Village EAP benefit. To schedule, call 1-800-627-8220.

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Setting concrete goals also helps motivate you, making saving easier. After naming your savings goals, set up automatic transfers from your paycheck to a high-yield savings account or retirement account so you'll never see the money or miss it.

Keep increasing the percentage of your paycheck that you save. When you get a bonus or a gift of cash, divert at least a fat chunk of that into savings, too.

3. LIVE ON LESS THAN YOU EARN

When you spend less than you earn, you can save. If you spend everything you've got, you can't save. And with no savings, it is nearly impossible to get ahead.

The solution is simple, but it's not easy: Stop spending money you don't have.

4. GET COMFORTABLE SAYING 'NO' TO THE KIDS

If you are giving in to your kids' every request and demand, you are doing worse than just emptying your bank account and making it impossible to get ahead: You are teaching them it's OK to overspend.

Turn things around by setting a household budget that sets realistic limits for spending and then sticking to the limits you've set. You'll help your savings and teach the kids a valuable lesson.

5. CUT YOUR HOUSING COSTS

Decisions about housing are super difficult. Traditionally, consumer experts have advised keeping the cost of housing at or below 30% of household income. Today, though, many Americans are spending more, and housing costs keep growing.

High housing costs are a budget-buster because housing is typically a household's biggest expense. The lower your income, the worse the problem is since housing consumes such a big chunk of your income.

You may need a radical lifestyle change to solve this problem. Take a clear-eyed look at your options, even though you may not like them: Move out of your neighborhood, out of town, out of state or in with relatives, or share lodging with others.

6. DRIVE A USED CAR

Buying a new car is like throwing money into a rat hole. Unless you have money to burn, it is one of the worst financial moves possible. Buying a 2-year-old vehicle is a much better deal than buying new.

7. LEARN TO COOK

It's always been cheaper and healthier to cook at home than to eat out constantly. Unsure how to get started cooking at home? Search online for tutorials and easy recipes.

8. FORGE AN INDEPENDENT SPIRIT

Some people save money easily and intuitively. Others must come to it through struggle. If you're in the latter camp, becoming independent from the habits and opinions of your friends and family is crucial.

You'll need to stop trying – consciously or unconsciously – to keep up with the lifestyles of others, especially the spending habits, trends and consumption among celebrities and in the media.

When the pressure is on you to spend, it takes a strong individual to buck the current. You must listen only to your own drummer. Keeping up with the homes, cars, fashion, vacations, sports equipment or even makeup choices of others will sink your financial ship as reliably as if you had a gambling habit.

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