

Money Zone: Cutting Expenses

Just for You: Where Does Your Money Go?

To cut expenses, you will need to find out where your money goes. This is not much fun :(but we'll try to get it over with as quickly as possible. And when you are finished, you'll be so glad you did this exercise.

Step 1. Document your spending

Begin by getting a little notepad, the kind that fits easily into a pocket or purse. Buy it at a drugstore or office supply store.

To get control of your spending, you need to know where your money goes. So write down your expenses every day this week. You can do this in less than 15 minutes a day. Remember, you can do anything for 15 minutes! You can jot down your expenses in the morning for the day before, at lunchtime, just before bed, or when you make your purchases. But do write them down.

You will start to notice what we Money Guides call your "spending pattern."

How much do you spend on your coffee in the morning? How much walking-around money disappears over the week? How much did you spend without realizing it?

Don't get too obsessive. Just observe.

Step 2. Identify expenses you can cut

At the end of the week, take a look at your spending book -- and at your life. Where is your money going? What do you buy that you don't really need?

As a start, identify three things that you don't really need to spend money on, or don't need to spend so much money on.

Step 3. Plug those money leaks

Let's take, for example, super-duper café lattes at the local java joint, lunches out, and books at the bookstore. These are three little money leaks you can plug (by drinking coffee at home, brown-bagging it, and using the library). These three little things can be your money goals for this week.

Step 4. Bank your savings

Whatever you save, write a check to yourself and put the money in your savings account. This is a good start.

If one of your indulgences is really important to you, don't cut it out entirely. This is like dieting: the answer is sensible eating, not a starvation diet. Remember, we said to squeeze your spending without driving yourself crazy, so cut out the expenses that don't give you much pleasure, and keep the ones that do.