



SPECIAL REPORT

7 Ways to Reduce Your Expenses and Give Yourself a Raise

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Spend less, save more.

There is no lesson needed more in America today. In fact, spending more and saving less is all too common, and unfortunately, it's the cause of much stress, pain and turmoil in many families. Even those responsible with money who are saving toward retirement goals may at times be guilty of spending too much on certain aspects of life.

We like to use the analogy of the storage unit. It's full of stuff you have no room for at home, but now you are spending somewhere near \$200 or more a month to store that stuff. Yet if ALL the stuff in your storage unit disappeared, would it have a meaningfully negative effect on your life?

For most, the answer is... "No."

More importantly, wouldn't it be better to add that monthly storage fee to a Roth IRA?

For most, the answer is... "Yes."

We approach this topic from the point of view that every expense in your life could be reduced. This does not mean it must be reduced, but only that it could be. Let's play "what if" for a moment.

What if every expense you have could be reduced by 10% or more? What would that mean to you in terms of cash flow? Would your monthly income go up \$500? \$1,000? \$1500 or even more?

Let's try to slaughter a few of America's sacred spending cows

I can't reduce my rent.

Yes, you can. You can get a roommate, rent a room or move to a cheaper place.

I can't live without my cell phone.

Maybe not, but when was the last time you checked the cost of your plan? You can always switch carriers, and you can usually negotiate for a lower-cost plan that fits your needs.

My mortgage is at a fixed rate, and so are my student loans.

This is the easiest one. In today's low-interest rate environment, you should consider refinancing any debt you have where your overall costs can be reduced.

I can't cut my utility bills.

You can, and doing so is easy. You can change all the lights in your home to more-efficient LEDs. You can remember to turn off the lights, turn down the heat in winter and turn up the thermostat in summer. You also can conserve water.

My property tax rates are set.

You can move to a low-tax state, or you can sell your home and rent. Renting isn't for everyone, but it is right for many who want to save on property taxes and the cost of home ownership.

7 Ways to reduce expenses and increase your monthly income.

1. Reduce Your Monthly Bills

This includes refinancing your home, cutting out cable and/or reducing your cable or satellite TV bill. Changing plans on your cell phone, or cutting out your land line. Shopping around for lower-cost internet options. We believe there is at least \$2,000 in annual savings waiting for you in these categories alone. Oh, and don't forget about that storage unit!

2. Reduce Insurance Costs

Check your homeowner's insurance to make sure you have what you need, and no more. Raise your deductible on your auto insurance, as that alone can really reduce the cost of your policy. Depending on your family situation, your life insurance policy may be way more than you need. If you can, try to reduce any unnecessary coverage. We have assisted many clients in reducing insurance costs.

3. Reduce Your Investment Expenses

Let's first define investment expenses. These are the fees charged against your investments. Mutual funds, ETFs, annuities and all investment products have expenses, and most people are overpaying for these products. Most load mutual fund is expensive. Here is a good assignment: Annualize your investment expenses. For many, they can be more than 1%. That means if you have a \$500,000 portfolio you are paying some \$5,000 in annual fees. These are fees you never see, but they are taking away from your investment returns. Consider switching funds to lower-cost index funds and/or ETFs.

4. Review All Existing Loans and Credit Cards

As previously mentioned, these are the days of low interest rates as far as the eye can see. You should not pay one penny more in interest than you need to. Any loans you have or credit cards you hold where you pay interest can usually be refinanced at a lower interest rate.

5. Reduce Your Taxes

Our guess is that you are overpaying your taxes. If you are not tax planning your tax situation aggressively, there's a good chance you're paying too much. Tax planning isn't easy. You must be diligent, aggressive, a good record keeper, and in many cases, have a good CPA working with you. Also, the time to look at your tax situation isn't the week of April 15th. Tax planning is a year-round proposition.

6. Invest Cash On The Sidelines

Get your cash to work for you. Don't just leave it in an account paying less than the rate of inflation. Remember, even at a modest 3% return, \$500,000 can put another \$15,000 per year in your account. Or, if you have \$100,000 in cash at 3%, that's \$3,000 a year. Research on your own or speak with your financial advisor about low risk and low cost investment options

7. Review Your Balance Sheet

Look hard at your expenses. Make the choice to sell all the stuff you don't really need, or to sell the stuff that's costing you money. Sell that high-maintenance boat; that sports car you don't use very often, or that vacation home you barely visit. Simplify your life and you will see an immediate increase in cash flow.

Easiest areas to reduce expenses

- Cable TV/phone
- Cell phone
- Utilities
- Reduce interest rates on loans/credit cards
- Reduce insurance costs
- Bonus: Get rid of the storage unit

Action steps...

- Make a list of every expense you have.
- Look at your credit card bills and get rid of reoccurring non-essential expenses.
- Sit down with your partner and attack your expense, and be ruthless.
- Make a list of your monthly savings, and put that cash to work in the service of your economic freedom goals.
- Create your spending plan, check out our special report: My Spending Plan at scienceofeconomicfreedom.com.

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