



2-STAYING WITHIN YOUR BUDGET

Now that you've examined your income and expenses and created your budget, is it workable for you? *The best budget is the one that works for you.* As you use it, feel free to adjust the amounts in the expense categories according to your realistic needs.

For example, if you had designated \$300 per month for gas, but the gas prices rise, you may need to go back and raise the amount in the budget. *Keep your budget up to date so you can continue to enjoy its benefits.*

Does your budget have workable amounts, but you find that you're still having difficulty staying within your budget? Try the *Envelope Method* to easily keep track of your spending in each category.

THE ENVELOPE METHOD

The Envelope Method requires you to move to a cash-only system. Although this may sound like a challenge, it's really easier than you think!

This technique is an easy 3-step process:

1. **Divide and conquer.** Each payday, *cash your paycheck at your bank*, then divide the cash into different envelopes for each expense category.

SUMMARY

- For example, label one envelope *Rent* or *Mortgage*, one envelope *Groceries*, one envelope *Car Payment*, and continue in that manner until you have an envelope for every expense. Include an envelope for daily spending money for things like lunch or parking.
 - To determine how much to put into each envelope, look at your monthly budget and then divide the monthly expense by 2 if you get paid twice each month or 4 if you get paid every week. So if you get paid every week and your grocery bill is \$400/month, take \$100 out of each paycheck and put it into the *Groceries* envelope.
2. **Use cash for your expenses.** Once your paycheck is divided up, it's very easy to keep track of your spending. That *Groceries* envelope, for example, is your grocery money for the week. ***Spend it wisely.*** Once you spend the money in that envelope, that's it for that week.
 3. **Effortlessly limit daily spending.** Each day, put the cash from that day's *Spending Money* envelope into your pocket or purse. That's your spending money for the day. ***When it's gone, stop spending!***
 - Making a separate envelope for each day's spending money helps you stay within your budget without having to keep a mental figure of your balance in your mind at all times.

Besides making it easy to limit your spending to the budgeted amount, the Envelope Method also gives you a better sense of your money.

When you pay cash, you're more likely to see the real impact of your spending, even if it's small expenses. As you'll notice, small expenses *really* add up!

TIPS TO REDUCE YOUR EXPENSES

If you find that you're spending more than you make, you have two options:

1. Make more money.

SUMMARY

2. Reduce the amount that you spend.

There are many techniques you can implement to bring in more money. These methods are discussed in a later module dedicated to increasing your income.

It's usually more difficult to reduce your *fixed* expenses, though it's not impossible. For example, if you rent an apartment and your lease is about to expire, perhaps you can find an apartment that costs less.

If your cable package features channels you don't use, inquire about changing to a less expensive plan. In the same way, you may be able to reduce your cell phone plan.

Most likely, you'll make cuts in the variable expenses. Things like entertainment, food, gas, and even energy expenses can easily be reduced.

ENERGY SAVINGS

With energy, it's fairly simple to reduce your bill. Turn lights off when you leave the room and switch to more energy efficient bulbs. Unplug your electronic devices when they aren't being used, because they use energy even when they're turned off if they're still plugged in.

If you have some money tucked away, newer models of appliances – like washers, dryers, and refrigerators – are also much more energy efficient and can pay for themselves in energy savings within a relatively short amount of time.

Other expense categories, like food and entertainment, have more options when it comes to saving money.

Food Savings

SUMMARY

Buying groceries is a necessary expense, but one that you have a lot of control over. A run to the grocery store can be devastating to your wallet if you let it, but it's also one of the best places to save money.

Here are some excellent ways to reduce the amount of money you spend at the grocery store:

1. **Sales.** Most grocery stores usually do a good job of putting everyday items on sale. If you buy the product on a regular basis, you might as well take advantage of the discounted price, and buy it when it's on sale.
 - The savings on each item may not be much, but you'll find that a few cents deducted here and there add up quite quickly.
 - Planning your weekly menu around what's on sale that week can turn into some significant savings.
2. **Savings Card Programs.** Plenty of grocery stores have implemented savings card programs, which give you a wider range of discounts to take advantage of. For many of us, groceries are one of our biggest expenses, so the more ways we can save at the store, the better.
 - On rare occasions, they might even have a blanket discount, like 10% off the total bill, at certain times of the year. ***Watch for these promotions*** so you can make the best use of them.
3. **Coupons.** ***Your most potent weapon against the grocery bill is coupons.*** You can find them in newspapers, flyers, and hundreds more online. These coupons can range from five cents to 100% off the cost of the item. You can't get better than free!
 - While a coupon for a certain product may limit you to one product per coupon, you can often pick up several of that item by simply using a coupon with each item. It's easy to obtain multiple coupons.

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- Some stores even double the amount you see on the coupon, so you'll definitely want to look into which stores have such a program because it can add up to big savings very quickly.
 - One thing you don't want to do is underestimate the power of the coupon! ***It's possible to buy two hundred dollars worth of groceries, hand them a stack of coupons, and only end up paying a tiny fraction of the price.*** Ask any cashier if they have customers who do that regularly, and they'll agree!
 - Reducing your grocery bill by hundreds of dollars with coupons is surely a quick way to balance your budget while still eating like royalty!
4. **Stockpiling.** Buying in bulk has become a trend when it comes to grocery shopping. Stores like Sam's Club and Costco thrive on selling items in bulk at a low price. When used in moderation, buying in bulk can be a great way to save money.
- Be careful not to get carried away when shopping in stores that sell in bulk. Plan out what you may be able to use before the expiration date and shop accordingly. Keep in mind, also, the amount of storage space you have available in your home.
 - One of the benefits of stockpiling is that you don't have to go to the grocery store as often. ***Fewer trips to the grocery store saves you time, gas, and grocery money.***
 - You can take advantage of buying in bulk even if you're single. Divide the cost and the spoils of your treasure trip with some friends. This way, all of you can save money and still avoid the inconveniences of stockpiling large amounts of stuff.

When you take advantage of these methods to save money on your regular expenses, it leaves room in your budget to increase your spending in other categories. In turn, staying within your budget becomes a whole lot easier!

SUMMARY

SELF-REFLECTION QUESTIONS

1. How can I reduce the amount of energy I use?
2. Do my favorite stores offer deals, discounts, or additional savings on top of coupons?
3. Do I take advantage of the benefits of buying in bulk?

ACTION TIPS

1. Reduce your energy use as much as possible. This helps your wallet as well as the planet.
2. Sign up for savings card programs where you shop regularly.
3. Coupons are a powerful weapon against the grocery register. Find coupons for the items you buy all the time. Remember, the more coupons you have, the more money you'll save!