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Putting a Freeze on Spending

Have you ever considered putting a self imposed freeze on spending? A spending freeze is a good way to save extra money or to get your budget and cash flow back on track. Here's how it works: determine a month where you know there are not a lot of birthdays or holidays to celebrate. Choose two weeks within that month where you will not spend any money.

Implementing a spending freeze does take some planning. First you need to make sure your bills for the two week time period are paid. Second you need to plan out meals for two weeks and make sure you have the necessary grocery items on hand. You also may want to challenge yourself to shop from your pantry for some of the meals by using what you already have. Prior to the spending freeze, you'll also want to set aside some cash to purchase perishable items your family uses like fruits, vegetables or milk.

Once prepared, put the freeze in action and buy nothing extra for the two weeks. If you have never tracked expenses, the spending freeze will help you realize how much money is spent on extra expenses each month. You should also determine how you're going to use the extra money that's saved during the spending freeze. Maybe set it aside in a reserve account or emergency savings fund.

If two weeks is too long, consider a weekend spending freeze, which most likely will net some significant savings for your budget.

Tips

The holiday rush begins this month with Halloween. Here are some tips to make Halloween less scary for your budget:

- Pumpkins aren't just for carving...use them as decorations leading up to Halloween and then carve them for Halloween night.
- Wait until the last minute to buy your Halloween candy...it keeps you from eating it before trick or treat and you'll probably find it on sale.
- Use what you have at home for your costume...look for a skeleton pattern online and cut an old t-shirt to the pattern for a skeleton costume...or tape smarty candies to your pants and goes as a "smarty pants."



Q: My identity was stolen. What should I do next and how can I keep it from happening again?

A: Having your identity stolen can be costly and time consuming to correct. There are steps you should immediately take once you realize you are a victim.

First, contact the three credit bureaus, Experian, Equifax and Trans Union and have a fraud alert placed on your credit file. A fraud alert usually remains in place for 90 days. If there's a fraud alert on your account, lenders are required to vigorously investigate any one seeking credit in your name to ensure they are authorized to do so.

You may also want to go a step further and place a security freeze on your credit file. This prevents anyone, including you, from opening any new credit accounts in your name. Only you may lift the freeze and requests to do so must be submitted in writing by mail.

If you are a victim of identity theft, you will also want to review your credit reports. As an identity theft victim, you are entitled to a free credit report from each of the credit bureaus, even if you've already received your free one for the year.

Also, file an Identity Theft Report with the Federal Trade Commission (ftc.gov/complaint or 1-877-438-4338). Once the FTC complaint is complete, take the complaint to your local police department to file a police report.

Breaking Down Expenses

When reviewing and evaluating your budget, it's a good idea to compare expenses with your net income to determine if you are overspending in certain areas. By identifying categories where overspending is occurring, you are able to make adjustments to better balance your budget.

When determining how much you're spending each month, you want to use your net income, which is the amount of your take home pay. Typically, expenses should break out the following way:

Housing – Housing is the largest expense in a budget. Typically, it amounts to 35% of your monthly net income. Housing costs include mortgage or rent, taxes, insurance and utilities. There are some ways to lower your housing expenses if you find they are out of line. If you own your home, consider refinancing at a lower interest rate. Also, evaluate the rate on your homeowners insurance. See if it's competitive and if not, shop around. Check with your gas and electric company to see if you can enroll in a budget payment plan which regulates your monthly payments based on your usage throughout the entire year.

Transportation – Transportation costs should amount to 15% of your monthly net income, which includes any car payments, fuel costs, insurance, vehicle maintenance, or public transportation. Transportation costs can be difficult to control considering portions of it, like fuel costs are beyond our control. However, drive efficiently, car pool and combine errands to reduce fuel use. In addition, compare car insurance rates to make sure the cost is competitive. Improving your credit score can reduce insurance rates.

Savings- Savings is usually the part of our budget that we give the lowest priority. In reality, between periodic savings, emergency savings and retirement savings, we should be setting aside 10% of our monthly net income. For most, that's not attainable. If 10% can't happen, see what it would take to set aside

5%. It's important to remember that saving something is better than saving nothing at all.

Debt- Ideally, debt repayment should be no more than 10% of our monthly net income. Debt repayment includes credit card payments, student loans and/or any other type of loan payment (except car loans). Reducing your debt allows you to put this money towards other areas of your budget, like your savings. If you have several items you're working to pay off, determine which has the highest interest rate. Make the minimum payments on the other debt and put extra money towards the debt with the highest interest rate. Once that's paid off, put the extra money towards the debt with the second highest interest and so on until your debt repayment is at zero.

Discretionary/Other expenses – These expenses account for about 25% of your monthly net income and include all other living expenses, such as food, clothing, medical care, and entertainment. Cutting discretionary expenses is possible. Reducing food costs is usually the first place to start when it comes to cutting back on expenses. Changing where you shop, shopping with a list and meal planning can help reduce monthly food costs. Once you determine how much you're spending in other budget categories in your budget, you can make adjustments to discretionary spending.

Miscellaneous – The remaining 5% of your monthly income can be earmarked for miscellaneous spending and charitable giving. This money can also go to other expense categories where you find that additional funds are needed.

When determining how much monthly budget expenses should be, it's always important to remember that each situation is different and you have to meet your budget expenses to the best of your ability. It's also important to remember that when budgeting in time of crisis, housing expenses are the most critical expenses in your monthly budget.

Resources

www.ftc.gov

www.annualcreditreport.com

www.onlinebudgetadvisor.com

www.advantageccs.org

www.bankrate.com

The Advantage Challenge

Advantage CCS challenges you to ...try a spending freeze. Determine how long your freeze will be...two weeks or even just a weekend and come up with a plan to make it happen. Figure out what essentials you'll need to buy or pay for before the freeze goes into effect. Plan out some free activities during the freeze to ease the temptation of spending money. Let us know how you do. Email results to hmurray@advantageccs.org

Advantage

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