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Where Am I Going to Find $2,000 to Save?

Adapted by Kathy Prochaska-Cue, Extension Family Economist[1]

Many people would like to save or invest more money but don't. They believe they have too many expenses or debts. With the end of the century approaching, Nebraska Cooperative Extension has joined a national financial education initiative called ***Money 2000+***. Its goal is to encourage participants to save or reduce debt by at least $2,000 by the end of the year 2000. However, an individual household's goal may be more or less than that amount. And in Nebraska, ***Money 2000+*** will continue beyond the year 2000.

Saving or investing $2,000 sounds great, but where is the money going to come from? For many people, it's going to come from reducing household expenses. Below are a dozen ideas.

1. **Refinance your mortgage**. Consider doing this only if you plan to stay put long enough to recoup the cost. For example, a no-points refinance costs about $1,000 (application fees, lawyer, etc.). Trading an 8.75 percent, $100,000, 30-year mortgage for a new loan charging only 7.75 percent saves $70 per month ($840 annually) and pays for itself in just 14 months. If you plan to stay put for at least five years, you'll probably save even more by paying some points and getting a lower interest rate.

2. **Get a cheaper credit card**. Call RAM Research (800-344-7714) or Bankcard Holders of America (540-389-5445) for lists of low-rate and no-fee credit cards. Transferring a typical $2,000 balance from an 18 percent card to a 10 percent card saves $160 a year in finance charges. Another way to reduce interest costs is to ask your credit card issuer to give you lower interest rate. Many will comply to keep you as a customer.

3. **Bring your lunch and snacks**. A can of soda pop every workday for 75 cents costs you $188 a year. Buy 12 store brand cans on sale for $3 and bring them to work; you'll save $125. Start brown-bagging lunch several days a week, instead of eating out, and you'll save several hundred more dollars. Ditto for midmorning or afternoon snacks and beverages.

4. **Slash food expenses by 10 percent**. Do this by buying fewer snack foods and impulse items and making better use of store and generic brands, coupons and price breaks. Consider joining a

warehouse shopping club for additional savings. Trimming a $100 weekly food bill by 10 percent saves $520 a year.

5. **Get discounts**. Many products and services (e.g., insurance, hotels, car rentals) have discounts, but only for savvy consumers who ask for them. Frequently asking the question "is this the best price available?" should save at least $100 annually. Other ways to get discounts include joining an organization, such as AAA or AARP, or purchasing an entertainment book that contains discounts on meals, products and services and travel (e.g., hotels, airline tickets).

6. **Be patient**. Waiting for things to go on sale, instead of purchasing at full price, can save several hundred dollars. This is especially true for clothing and "seasonal" items, such as holiday supplies.

7. **Get a long distance telephone savings plan**. Every major long distance carrier offers a savings plan for consumers who request it. Actual savings will vary, depending on your calling habits. You also may have to make calls at certain times. But the savings can be impressive. If a plan saves you $20 a month, that's an extra $240 in your pocket annually.

8. **Get an insurance analysis**. Are you paying for unnecessary coverage or missing valuable discounts? Ask an agent to review your policies. If you are paying several thousand dollars a year for insurance of all types, some savings probably exist. Try consolidating all property coverage (auto, homeowners or renters insurance, and umbrella liability) with the same carrier.

9. **Shop "alternative" vendors**. Shop where you can get the best value for your money. Inexpensive sources of toys, tools, appliances, clothing and home furnishings include flea markets, garage sales, thrift shops and consignment stores. Save hundreds, maybe thousands, of dollars every year.

10. **Earn more on savings**. Don't let existing savings languish in a bank account at 2 to 4 percent interest. You're losing money after inflation and taxes. Move this money to a CD or money market fund and earn a higher rate of return.

11. **Slash bank and investment fees**. Avoid banks that charge high fees or require large minimum balances on low-yield accounts. Also avoid high brokerage firm commissions and above-average mutual fund expense ratios.

12. **Get a match**. If your employer offers a 401(k) plan, save at least enough to earn the maximum employer match. For example, employers may match, 50 cents on the dollar up to a specified percentage of salary. So if you save $2,000, they would add an additional $1,000 to your account. This is money for savings that doesn't have to come out of your pocket. Unlike the proverbial "free lunch," employer matching is a good deal that should not be passed up.

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