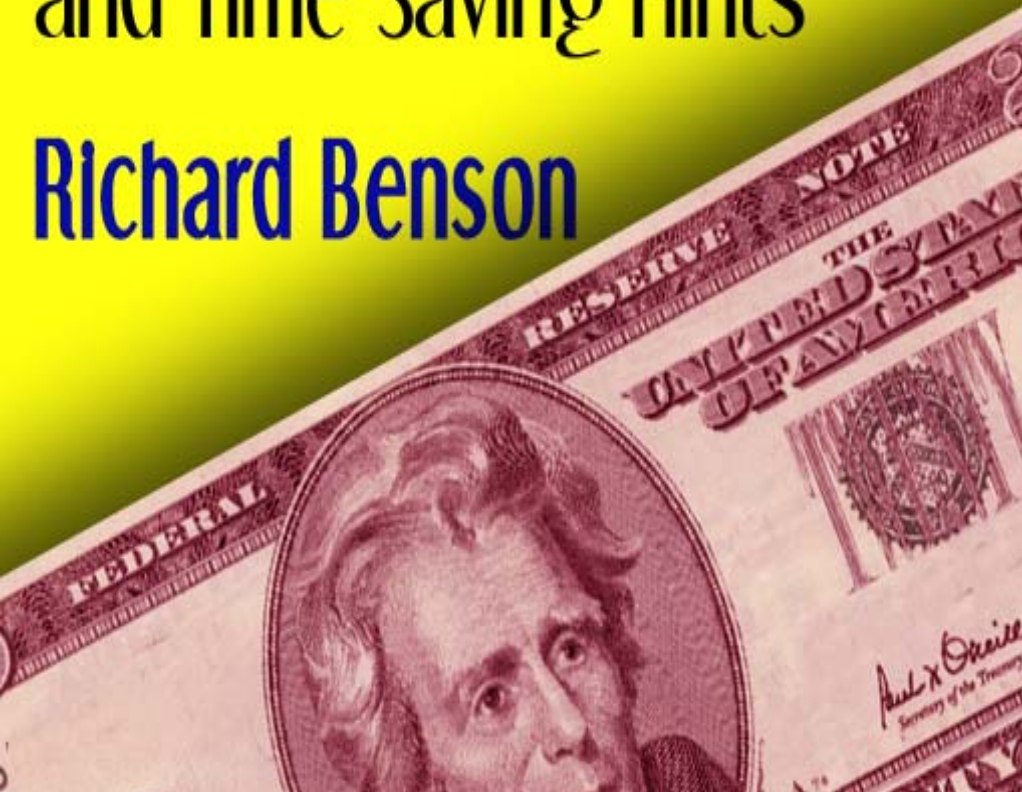


How To Save Money

Hundreds of Money
and Time Saving Hints

Richard Benson



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Introduction

This book is designed to help you in many ways. While its main objective is to save you money, precisely how much you wish to save depends on you. There are ways to save a little and other ways to make greater savings. Some require very little in the way of effort, others are not possible without a certain degree of sacrifice or compromise in your life.

Most of us do not earn as much as we think we need, and are constantly left wishing for that little bit extra. This book will not necessarily make you money, which is a different area altogether, but it will help you to utilise what money you do have more efficiently. The book contains valuable advice such as how to make more efficient use of your central heating system, and useful tips such as the secrets of getting a bargain, plus general hints on other areas of life that can save you money.

You may be familiar with many of the ideas mentioned in this book, but do you practice them? Saving money is a little like a régime or diet, it has to be followed strictly for any effect to be noticed. It will take a little while of following this book's advice before you reap the rewards, but it will be worth it in the end when you find you have more money (or fewer debts) than usual.

You might not be aware that every time we use electricity or gas in the home or drive a car we are probably having a detrimental effect on the planet. When fossil fuels are burnt they produce a by-product, carbon dioxide (CO₂). This is released into the atmosphere and is one of the causes of global warming, an increasingly serious and threatening phenomenon. Efforts are being made to reduce the emissions of harmful gases: many governments in the world have introduced strict policies to help reduce levels but individuals too can make a contribution. Roughly one quarter of the CO₂ produced in this country comes from domestic usage. Much electricity is produced by power stations from the burning of fossil fuels, so every time a light or a television is switched on the need for fuel is increased. Cutting energy usage in the home will make an important contribution to reducing global warming and other negative aspects of high energy use, and don't forget that if you are saving energy you will be also saving money!

However much media attention is given to the plight of the environment, are we really doing enough? If we compare our efforts with those of other countries such as Norway, Sweden or Germany, we appear shamefaced. There are hundreds of ways to make a contribution to this planet, but it seems that other countries are making faster progress towards a more energy conscious society than we are. One last message in this lecture: this is your planet, if everyone took the attitude,

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‘But it’s not my problem’, then we would be heading for disaster. Please give it some thought.

This book is not intended to turn us into Scrooges or to encourage us to live miserable existences. Hopefully it will have the opposite effect, making a positive contribution to your life, increasing your spending power, employing your resources more effectively so that the necessities of life are paid for with less money, leaving more funds free for the luxuries. Think about it: if you save a few pounds a week you could end up with enough saved at the end of the year to treat yourself to an extra holiday.

How To Manage Your Money

We have less and less real contact with our money these days. Salaries are normally paid directly into bank accounts because although there is nothing nicer than being handed a pile of cash it is more sensible and secure to have it paid in this way. This removes the temptation not to pay all of the money into the bank but to 'blow it all' straight away, and makes it easier to keep track of your finances.

The banks now offer services such as:

- Direct debit
- Standing orders
- Budget accounts.

These enable many expenses such as gas or electricity bills to be paid directly from your account by the bank. Subscriptions to journals or clubs can also be debited directly, without the need for you to write regular cheques. The advantages of these types of services are that they save you time, and take out the worry of remembering to pay certain bills. This in itself will save you money if you would otherwise be financially penalised for an overdue bill that had slipped your mind.

Paying with cash is becoming a thing of the past: even cheques are now being superseded by debit and credit cards in all but the smallest transactions. The general effect of 'paying with plastic' is to increase demand. Plastic does not feel like money,

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and the time delay between paying by credit card and actually receiving the bill means that many people spend more than they can really afford simply because it is so easy to do so. When the bill arrives, they are only asked to pay a minimum of, usually, 5% of the balance. This does not feel ‘painful’, and encourages full use of available credit.

Unfortunately, credit cards are an expensive way of borrowing. A prearranged overdraft at a bank is a cheaper way of borrowing than a balance on a credit card, and if your card balance becomes uncomfortably high you could save money in interest payments by paying off the card balance either with money from an overdraft or from a loan. If credit cards are used with restraint, however, they can save you money. If your bank account is not in credit and you wish to purchase something, buying it with a credit card gives you at least a month’s interest free credit. If you then pay the balance in full at the end of this interest free period, it means you have avoided paying a little extra interest on your overdraft during this period.

**Never borrow more than
you can comfortably repay**

Budgeting



In an ideal world it would be nice not to have to worry about money. However, it appears that regardless of how much we earn we spend right up to our limit and often over it. No matter how many possessions we own or how many holidays we take we always seem to want more. If you are not like this then you are lucky! We may not all be greedy, but it is human nature to want more. So the solution is to be more careful with our money.

If you have an idea of exactly how you spend your income it will be easier to make adjustments to your expenditure. But as we seem to have little actual contact with our money it is often harder to control. That is the advantage of using cash as a primary method of payment: you can actually feel and see the money leaving you. This is always painful and you might be less inclined to fritter it away than if you were paying with a credit card. The best advice if you cannot control your spending is to take a pair of scissors and cut up your cards and stick to paying with cash.

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Your current situation

It is a good idea to begin your efforts towards saving money with a financial overhaul. The first stage is to work out what money you have coming in, if you have a partner do a joint calculation. Possible sources of income are, for example:

- Wages
- Pension
- Investment Income
- Income Support
- Sickness Benefit
- Invalidity Benefit
- Housing Benefit

The next stage is to try and work out what your expenses are for an average month. If you write down all your various expenses it is then easier to begin to think about cutting down in certain areas. If you have no record of what you have been spending it is much harder to do this. The best thing is to keep a written record of all expenses, covering everything during the next thirty days. Provided nothing too exceptional was bought during this period, it will be alright to use this as an average month.

Keep a record of all expenses

Many people are quite content to avoid all possible thought of how they spend their money because they feel guilty at what they have been spending their money on, or because they don't realise that by paying attention to where it goes they could save a fortune. If you write down and look carefully at your expenditure then you will be more inclined to make some sort of effort to make a few cutbacks. It is not always possible to account for every penny but here is a list of some of the most commonly incurred expenses:

- **Food**

As well as the regular weekly shopping make a note of how much is spent on occasional snacks, drinks, sweets and meals out. This can often be equal to or in excess of the amount spent in the supermarket, and represents an area with huge potential for economising.

- **Motoring**

- **Travel expenses**

- **Household necessities**

Mortgage or rent, council tax, phone bill, television licence, energy bills.

- **Other necessities**

Credit repayments, insurance, assurance etc.

- **Entertainment**

- **Holidays**

- **Newspapers**

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- Saving
- Sundries

Also include a list of debts, such as money owed on:

- Credit cards
- Hire Purchase
- Overdrafts
- Loans
- Mortgages

Any money that is borrowed will be costing you money in interest. In some cases, extortionate rates of interest are charged.

The above list covers a range of expenses. Some of them are referred to as **fixed costs**, such as mortgage repayments, council tax, hire purchase instalments, insurances etc. These fixed costs are normally paid at fixed times, so you know when to budget for the expense. The other type of costs is **variable costs**, and as their name implies they change according to usage, like heating or electricity.

You should work out how much your fixed expenses are and set aside an appropriate amount of money for these, then you can work out how much you have to spend on the variable expenses, over which you have some control.

It is sensible to keep an accounts book, not just the back of an envelope, as being organised is one of the secrets of saving money.

Using past bills write down your expenses for the previous year, if available, in order to give you an idea of what to budget for this year. This is useful because some expenses are seasonally variable: gas bills, for example, are higher in winter than in summer, so knowing only what the average gas bill is may leave you short when the winter bill arrives as it will be way above average.

Past bills will give you an awareness of roughly what to budget for, taking into account inflation and other factors of course. No two years will ever be the same, but an approximate guide is better than no guide. The first step towards saving money when looking at the year as a whole is to have a reasonable idea of how much the main expenses will be. When budgeting for this year on the basis of last year, try to add a couple of percentage points above the rate of inflation in order to cover yourself against inevitable price rises.

Balancing the accounts

In theory the amount of money coming in should tally with the amount of money going out. However, this is living on the edge as there are always expenses which you cannot plan for and therefore savings are needed to cover these eventualities.