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SELECT Portfolio Management, Inc.
REGISTERED INVESTMENT ADVISOR
Money Management, Inc.
REGISTERED INVESTMENT ADVISOR

How can I reduce my spending?

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Question:

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Answer:

To reduce your spending, you first need to know where your money goes. Start out by keeping track of all of your expenses for a month. None are too small or insignificant: the daily newspaper, coffee on the way to work, an extra gallon of milk, that burger at the fast-food outlet. Next, categorize the expenses so you can see what you spend and where you spend it. Be sure to factor into your monthly expenses a prorated portion of the annual cost of your irregular expenses (e.g., clothes, gifts, car maintenance, insurance premiums).

Expenses generally fall into two categories. Essential expenses are ones you can't avoid (e.g., rent, utilities, groceries, car insurance). Discretionary expenses are ones you choose to incur (e.g., eating out, entertainment, gifts, cigarettes, videos). Discretionary expenses are the ones over which you will have the most control. Do you buy a lot of books? Try the library instead. Take coffee or lunch to work rather than buy it once you get there. Limit eating out to once a week rather than twice. Quit smoking, or at least begin to cut back on the number of packs you smoke each week.

Although essential expenses are fixed, there may be ways to reduce them. Make sure you shut off the lights and TV when you leave the room. E-mail your distant friends and relatives rather than call them long-distance. Change the oil in your car on a regular basis to avoid more costly repairs due to neglect. Review your insurance policies: Can you save on your premiums by taking a nonsmoker discount or increasing your deductibles? Clip the grocery store coupons, always shop from a list, and avoid the impulse items at the end of the aisles.

Pick a realistic goal for your monthly spending reduction and try not to make too many changes all at once. To see how big a difference this can make, do the math. If you start by committing to reduce your spending by \$2 a day, that's \$730 a year! Set the saved money aside, perhaps in a savings account for your planned vacation, or use it for a specific purpose, such as reducing debt faster.

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Advisory Services Offered Through Select Portfolio Management, Inc.

A Registered Investment Advisor

Securities Offered Through Securities Equity Group

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