

# It's Not What You Make



# It's How You Spend

MONEY MANAGEMENT MADE EASY

Gary A. Vosick

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# THE FIRST WORD

## The First Word

Let's face it. If you're reading this book, then chances are you have money problems. The question is: Why? Most people blame their income (or lack thereof). But throughout many years of counseling people, I've learned that only a precious few understand the real reason:

### Overspending

That's why my book is dedicated solely to helping you realize the truth:

#### *It's Not What You Make, It's How You Spend*

Impulse Buying...Eating Out...Cell Phones...Cable TV...Lottery Tickets...One can think of many areas in which we overspend. And if you're like most people, you know exactly what you earn, but aren't quite sure where all the money is going. Keep your chin up, because you're about to make a change for the better.

By reading this book and making full use of the work sheets I have provided, you'll discover how much you waste on impulse buying. You'll learn to separate your wants from your needs. You'll see how your expenses compare with your income. You'll find out how to control your expenses. And most importantly, you'll see how easy saving money can be. So get set, because the best is yet to come!

# INTRO- DUCTION

## Introduction

Congratulations! You have reached a positive turning point in your life. You have made a personal commitment to manage your finances effectively and take control of your spending.

In choosing my book, I believe you have made the first of many smart financial decisions. While you could have selected from a host of “How To” books that discuss the theoretical aspects of responsible money management, this book focuses more on actions rather than ideas. As you read this book, you’ll find it to be brief, to the point and, when used as directed, very effective.

That’s why I’ve included three helpful work sheets from which we will base your approach. For the time being, these work sheets will serve as easy-to-follow road maps to help you translate theory into reality.

But before we begin, I’d like to propose a simple, but very important agreement between you and me. One that will lay the groundwork for your success and establish, in clear terms, our shared objective: financial independence...

### ***A Mutual Guarantee***

*If you promise to diligently follow the four basic steps to success outlined in this book, I will guarantee that you achieve savings of at least \$100 by the second month, or I will send you \$100.*

*Gary A. Vosick*

As you go through the process of analyzing your expenses, it is imperative that you understand the importance of tracking every nickel and dime you spend. Which means getting down to the absolute basics. For example, if you buy a soft drink at the convenient store, ask for a receipt. If you put a quarter in a gumball machine, write it down. If you purchase a raffle ticket at a school fundraiser, save the stub and record it.

When it comes to knowing where you stand financially, success begins with the smallest items and continues from there. All you'll really need to make this work is a little self-honesty. Remember, it's one thing to kid others, but never kid yourself.

It's been said that it takes two weeks to form a new habit. And when it comes to tracking your spending, two weeks will do; but if you can take the extra time, I suggest three or four weeks. However, for practical purposes, the time frame may need to flex in order to suit your individual situation. Once you get up and running, you'll find that tracking your expenses and controlling your spending is as simple as taking out the trash. The most important thing is to give yourself ample time to identify the patterns and catch yourself before you spend money unnecessarily. My job is to help you find freedom from financial bondage. Your job is to follow four easy steps and make it happen. Now let's get started!

# TRACKING CASH SPENDING

## Tracking Cash Spending

As the saying goes, “first things first.” Effective money management begins with tracking (and controlling) your cash spending. Cash spending is one of the main problem areas in money management because of its discretionary nature. In other words, you do have choices. The key is to choose wisely. Here’s how:

### Carry Less Cash

One of the best ways to get your cash spending in line is to carry as little as possible. Let’s say you decide to pocket \$100 from your paycheck on Friday. Chances are, that money will be gone by Monday and you won’t have a clue as to where it went. With this in mind, it’s clear that the right choice is to put most (if not all) of your paycheck in the bank and avoid the temptations of impulse buying. Think about it. If you don’t have it, you won’t spend it.

Take, for example, that little bit of change you sometimes carry in your pocket. What’s a few measly cents, right? Wrong. Those nickels, dimes and quarters add up. And if you can’t control the little things, you’re not likely to control the big ones either.

Ever notice how expenses expand to exceed the amount of money available for payment? Let’s say you have \$7.50 in your pocket. It’s likely that your lunch order for that day will burn up every bit of your seven and a half dollars. The alternative? Carry \$5 instead.

That's a savings of \$2.50 per day, \$12.50 per week, \$50 per month, or \$600 per year. This is just one example of how small amounts can add up over time. And you're just getting started.

At some point, you may begin wondering why the tracking process takes four weeks. The answer is interesting. Like any reliable research, the greater the sample the more accurate the results. And really, that's exactly what you're embarking upon, a field research study to determine your cash spending habits. On the *Cash Spending Work Sheet*, I have included columns to cover a four-week period. However, you may find that it takes only a couple of weeks to identify your spending habits. That's fine. If it works for your purposes, feel free to stop after two.

When we take a casual look at the pathology of overspending, it's easy to place the blame on credit cards. And while the dreaded "plastic" has definitely earned its soiled reputation, a huge share of the blame goes to cash spending. My point is simple: Carry less cash. Save the receipts. Track what you spend.

Suggestion: Make a photocopy of the *Cash Spending Work Sheet* and carry it with you. That way you can easily track your cash spending as you go along.

So get cracking and start tracking!

# LISTING MONTHLY EXPENSES

## Listing Monthly Expenses

O.K., you've begun tracking and controlling your cash spending; now it's time to start listing your monthly expenses on the *Monthly Expense Work Sheet*. This is serious business so I recommend you choose a time and a place that will lend itself to the tasks at hand.

First, you'll need privacy. If you have children, you may wish to wait until they're in bed, or are away visiting friends or relatives for a few hours.

Now that you have time for yourself, you can focus on an appropriate work area. Your kitchen table is a terrific spot. A desktop or coffee table are also suitable. Be sure you have plenty of light. With your time set aside and a workspace defined, you're now ready to settle down to work. Finally, to prevent interruptions, turn off the TV and unplug the phone.

Take out your check register and list the checks for the entire month into the categories I have provided on the *Monthly Expense Work Sheet*. You'll find ample space for making multiple entries, including groceries and other items for which you write more than one check per month.

As you go through your check register, there may be expenses that are "non-monthly" like insurance, water bills, club dues, real estate taxes, etc. These items should be multiplied by the number of times



you pay them and then divided to determine a monthly amount.

Example:

$$\$50 \text{ WATER BILL} \times 4 \text{ PAYMENTS PER YEAR} = \$200 \div 12 \text{ MONTHS} = \$16.60 \text{ PER MONTH}$$

As you go through the process of listing your checks, you will begin to see patterns in your spending habits. Well, don't worry. This is a good thing that will prove itself to be invaluable later on. Remember, there's no need to complete the *Monthly Expense Work Sheet* in one sitting. It's important that you take plenty of time and make sure you're getting a realistic picture of your typical monthly expenses. Oh, and don't forget to bring over the totals from your *Cash Spending Work Sheet*.

# FORMULATING A SPENDING PLAN

## Formulating A Spending Plan

Now that you've become well acquainted with the fundamentals of expense tracking, take a moment to pat yourself on the back. After all, you've earned it. And the best part? The rewards for your efforts are just beginning.

There's no underestimating the importance of formulating a spending plan. It's a simple process that helps you develop the self-discipline you'll need to manage your money and keep needs, wants and desires in their proper relationship. A spending plan also forces you and your family to develop more healthful attitudes about earning, saving and living within your means.

You should begin formulating your spending plan with the completed *Monthly Expense Work Sheet* close at hand. You'll also need paycheck stubs from the month, as well as check stubs and/or bank deposit slips derived from secondary income such as side jobs.

Using the *Income Versus Expense Summary*, record the amount of your take home pay in the space provided. Be sure to include any additional income you may have earned during the four-week tracking period. Next, transfer the totals from the *Monthly Expense Work Sheet*. This should be a snap because the categories on the *Income Versus Expenses Summary* are consistent with those of the *Monthly Expense Work Sheet*.

As you go through the process of totaling your income and expenses, don't hold back. Think it through. Be sure there are no omissions and that the calculations are correct.

Now it's time to pause and take a deep breath. For you have reached the moment of truth. Subtract the "Total Expenses" from the "Total Income." The answer to this simple equation gives you the critical difference between what you make and what you spend.

At this stage, the disparity between your income and your expenses may surprise you. It may even frighten you. But hang in there. Through your diligent efforts, you have attained knowledge. And knowledge is power for a successful money manager. To learn how to harness this power, proceed to the next chapter.

# CONTROLLING YOUR SPENDING

## Controlling Your Spending

### Housing

Generally speaking, items in the “Housing” category remain constant and do not lend themselves to change. However, during periods of lower-than-average interest rates, refinancing at a reduced rate may have substantial long-term benefits. Be sure to choose a reputable lending institution that will ensure lower “fixed” rates with terms that fit your needs. If you have a second mortgage, it may be feasible to combine it with your original mortgage while lowering your monthly payments at the same time.

The length of a new loan will be a factor, so take the time to weigh the merits of 15 versus 30-year terms. **IMPORTANT:** Never take out a loan for credit card consolidation!

Perhaps the most flexible line item in the “Housing” category is “Home Maintenance.” For starters, cut the grass yourself. If you have a swimming pool, let the pool service “winterize” it in the fall and open it yourself in the spring. The same philosophy should apply in all areas of home maintenance. If it’s within your range of abilities, do it yourself.

### Utilities

You may be surprised to learn how easy it is to reduce your utility

bills. Your home's level of energy efficiency has a direct impact on your rate of consumption. Most utility providers offer free home inspections to help you identify problems and offer solutions. Additional energy saving tips may also be found on the Internet.

With or without professional advice, a little common sense is always in order. For example, if you have drafty windows and doors, insulate them. Depending on the season, raise or lower your thermostat throughout the day, and especially before bedtime. Try not to run the faucet continuously while washing dishes or brushing your teeth. Spend less time in the shower. Lower the temperature on your water heater. Turn off lights when not in use. If you have a leak, fix it. These and many other minor adjustments will lead to major savings on utilities. It's all up to you, so get going.

## **Automobile**

Practical methods for reducing your automobile expenses range from selling your second car to handling oil changes yourself. When it comes to the latter, a great deal is determined by your degree of mechanical expertise.

Almost anyone is capable of changing a car's oil and filter. From there, repairs become increasingly complex and difficult. If you must rely upon professional assistance, shop around for an affordable, reliable mechanic with a reputation for quality, fairness and honesty.

Remember, service from a dealer is always more expensive than an independent garage. It's also important to note that good regular maintenance, like changing the oil every 3,000 miles, will help prevent more costly repairs down the road.

Eliminating a second vehicle is a different matter and requires

careful consideration of both the positive and negative ramifications. Only you can determine whether doing without can work for you and your family. In most localities, affordable public transportation is readily available. You may be surprised at how easy taking the shuttle to work can be, and it frees up your family car for other uses. The benefits of being a single car family are numerous. From fuel and maintenance to loan payments and insurance, it usually pays to make other arrangements and do without.

By the way, “car pooling” also has its merits as it can save you money on fuel and repairs. Consider asking co-workers who live in your area to share a ride. You’ll enjoy the company and the savings.

## **Child Care**

Most parents give maximum priority to the care and education of their children. However, there are some schools of thought that question the economics of a two-income family. As a responsible parent, your best course of action is to check the figures and see if it makes sense to follow your new spending plan and let one parent stay at home. When you factor in clothing, lunches at work, gasoline, wear and tear on your car, and the high cost of day care itself, you may have a change of heart. One thing’s for sure...if given the choice, your kids will take you over that expensive day care center every time.

## **Healthcare & Insurance**

Another costly necessity is healthcare and insurance. It never pays to be under-insured, and no one should be expected to cut corners with their health. But like most things in your spending plan, a little investigation is a smart idea. Speak with a trustworthy insurance professional. They may be able to help you shop around, or even restructure your policies to be more cost-effective.

For example, the addition of a low-cost prescription program could be just what the doctor ordered to save you money. You can also trim your costs by purchasing generic medicines instead of advertised brands.

## **Food**

As far as saving money goes, food is a “no-brainer.” How often do you make one of those impromptu \$43 trips to the grocery store? It’s amazing what you can save by being less spontaneous and embarking upon carefully planned and scheduled shopping excursions, once or twice per month.

Regular use of discount coupons is just one way to spend less and get more. Here are some tips on becoming a “smart shopper”: Plan for every meal. Shop only to accommodate those meals. Watch for specials. Seek out reduced items that fit your plan. Buy generic products. Compare prices. Save!

Dining out is another costly way to feed a hungry family. Even “fast food” at lunch adds up over time. I’m not suggesting you do completely without; but think about cutting your restaurant visits by at least 75 percent. Instead of eating dinner out once a week, try once a month. Rather than having fast food at noon, pack a lunch. That way, instead of putting your hard-earned income in your stomach, you’ll put it where it belongs: in the bank!

## **Clothing**

Some tastes in clothing are more expensive than others. Personal apparel is a subjective matter that can turn you into your own worst enemy. Generally speaking, however, you should wait for sales. Shop at “discount” outlets instead of pricey department stores. Buy your kid’s clothes at consignment shops, or give them hand-me-

downs. Time your purchases to fall at a point when clothing has just gone out of season and is on sale. Choose lesser-known brands. And finally, if you don't need it, don't buy it.

### **Personal Care**

Personal Care is another category in which the costs vary greatly. There's no doubt that those fancy salons you hear about are spending big bucks to promote their brands and then passing the cost on to you. Fact is your neighborhood barber or stylist can provide comparable services at a fraction of the price of an upscale salon.

### **Entertainment**

These days cable television seems to be a necessary part of life in America. In reality, we don't need cable at all. There's plenty of free TV on your local broadcast stations. However, if you consider cable to be an absolute must, the lowest "basic" option offered by your service provider is recommended. Premium channels require premium dollars, so double down and trim the fat off your cable bill. It's easier than you think. And a little less of the "Boob Tube" in favor of reading a good book or working in the yard would probably do you some good.

The same goes for the cinema. Instead of going to the movies, rent one and make your own popcorn. It's fun for the whole family and you'll save a lot.

The Internet, magazine subscriptions, concert tickets, pro sporting events also are competing for your entertainment dollar. It's a good idea to review these line items carefully and trim as much as you can.



## Non-Essential Items

Is that cell phone absolutely necessary? Can your lawn survive without that fertilizing service? Is bottled water better than tap water? Non-essential items in your budget are defined as anything you don't need. Keep in mind that every expense you delete from this category is money in the bank, so be brutal.

## Credit Cards

Let's face it, we are experiencing a full-blown credit card epidemic in America. Creditors view you as a major prospect, representing decades of easy profit at your expense. As you may have learned the hard way, getting the credit is one thing; paying for it is another.

Far too many people face a lifetime of making minimum payments and suffering the consequences of maximum interest, late fees and other penalties. They don't realize the long-term impact of their short-term spending decisions. Case in point: For those who make only the minimum payments on a credit card balance of \$10,000, at 18-21 percent interest, it will take more than 33 years and \$26,000 to pay it off. Factor in life's other expenses and the burdens become utterly unmanageable.

Unfortunately, credit cards can make you feel like you have money so it's easy to spend more. Eventually, one card leads to another; and instead of controlling your financial future, your finances control you.

But let's be realistic. In what has become a near paperless society, it's hard to get along without plastic. It's also hard to get ahead when you're already so far behind. But there are ways to meet the challenge, beat the odds and rise above excessive credit card debt.

If you are able to make only the minimum payments, are unsure about how much you owe, have been skipping payments, or are borrowing from one card to pay another, you may need to enroll in a debt management program.

A reliable debt management program can save you thousands by negotiating with your creditors to reduce or even eliminate interest and finance charges. They will also help you consolidate your bills into one, manageable monthly payment. For those who stick with it, credit card debt can be paid off in as little as three to five years. NOTE: Make sure you're dealing with a reputable, non-profit organization that provides the knowledge base and resources you'll need to get out of credit card debt and stay that way.

If you must use plastic, never purchase more than you can afford to pay off in a month's time. Resist the temptation to spend. Cut up the cards you don't need and pay them off as quickly as you can. After all, time is money, and the time is now.

Now that you have studied the concept of controlling your spending, you are well-equipped to go back to the *Income Versus Expense Summary* and complete the "Desired" expenses column. As I pointed out in an earlier chapter, knowledge is power to the successful money manager. From your informed perspective, you are now in a position to set desired goals for yourself and then begin working toward meeting those goals by controlling your spending.

## Cash Spending Worksheet

Category	Week One	Week Two	Week Three	Week Four	Total
Parking					
Gasoline					
Breakfast					
Lunch					
Dinner					
Snacks					
Coffee					
Doughnuts					
Cigarettes					
Beauty					
Haircut					
Dry Cleaning					
Miscellaneous					

## Monthly Expense Work Sheet

Category		Total
<b>Housing:</b> Mortgage, Rent		
<b>Utilities:</b> Phone, Electric, Water		
<b>Auto:</b> Payments, Gasoline, Repairs		
<b>Child Care:</b> Day Care, Education		
<b>Healthcare:</b> Medical, Dental		
<b>Insurance:</b> Auto, Home, Life		
<b>Food:</b> Groceries, Restaurants		
<b>Clothing:</b> Apparel, Dry Cleaning		
<b>Personal Care:</b> Beauty, Barber		
<b>Entertainment:</b> Recreation		
<b>Credit Cards:</b> Visa, MasterCard, Discover		
<b>Cash Expenditures:</b> (From Work Sheet)		
<b>Miscellaneous:</b>		

## Income Versus Expenses Summary

<b>Income:</b>	<b>Actual</b>	<b>Desired</b>
Take-Home-Pay		
<b>Total Income:</b>		
<b>Expenses:</b>		
Housing		
Utilities		
Automobile		
Child Care		
Health Care		
Insurance		
Food		
Clothing		
Personal Care		
Entertainment		
Credit Cards		
Cash Expenditures		
<b>Total Expenses:</b>		
<b>Difference (INCOME VS. EXPENSES):</b>		



# THE LAST WORD

## The Last Word

Way to go! By now, you've been keeping track of your expenses for at least four weeks. You've developed a simple spending plan that works. You've begun to limit your spending. You're in the process of breaking free from credit cards and consolidation loans. And best of all, you may be starting to discover how financial freedom brings an exciting, new outlook. And as you've learned, making the most of your money requires a consistent effort by you and your family to manage your money effectively, every day.

Remember, this book won't help you if you won't help yourself. That's why you've taken the time to become educated on the basics of good money management, while putting together a manageable spending plan.

Here's a brief review of what you've learned:

- Write down everything you spend, even the small items
- Create a spending plan that takes care of your needs
  - Develop a repayment plan with your creditors
  - Put money in the bank whenever you can
  - If necessary, get professional help

So keep planning and start saving. It won't be easy. But success comes from realizing where you are now, deciding where you want to be, and most importantly, taking all the necessary steps to get there. You can do it. Just keep up the good work! And remember, *It's Not What You Make, It's How You Spend...*



## About The Author

Gary A. Vosick, a Certified Public Accountant (CPA), has been helping people manage their money since 1972. As president of Trinity Debt Management, a non-profit credit counseling organization, Gary's positive influence has touched the lives of thousands of individuals and families across the continental United States. His teachings on financial stewardship have been a blessing to countless civic and church groups as well. In his book, *It's Not What You Make, It's How You Spend*, Gary puts his proven theories into practice by offering brief, easy-to-follow methods for achieving financial independence. Knowing it's not the size of the book, but what you come away with in the end, Gary wanted to make his book simple and to the point. For anyone who dreams of taking control of their finances, this highly readable "How To" is a welcome breakthrough and should be shared.