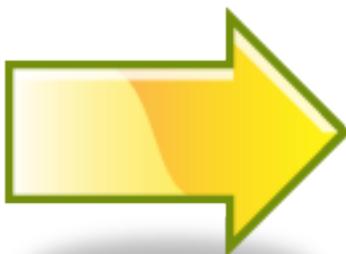


# Frugality and Simple Living-

## A renewed interest in enjoying a simpler life in tough economic times which helps reduce financial stress

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# "Frugality" Activity

Uses Coupons to shop \_\_\_\_\_

Uses a computer App for couponing \_\_\_\_\_

Reuses plastic food bags \_\_\_\_\_

Combines vehicle trips to save fuel \_\_\_\_\_

Drives a Hybrid vehicle \_\_\_\_\_

Purchases fuel at the cheapest Tri-State location \_\_\_\_\_

Uses Local Public Library resources \_\_\_\_\_

Uses weekly grocery ads to shop \_\_\_\_\_

Eats away from home rarely \_\_\_\_\_

Pays in cash only \_\_\_\_\_

Installed low-flow faucets in home to save H2O \_\_\_\_\_

Uses timers on thermostats to save "E" \_\_\_\_\_

Installed a water heater wrap/jacket \_\_\_\_\_

Insulates beneath electrical outlet covers \_\_\_\_\_

**(Ask others to Initial item(s) they practice)**



# **Reap Rewards of Frugality in a Few Simple Steps**

If there's a silver lining to the Great Recession, it's a renewed interest in simple living. Simple living as a concept espouses a "less is more" philosophy that hasn't always been popular among Americans. But the financial challenges of the last few years have changed that.

The idea of simple living has become more attractive to many consumers, who have had to figure out how to deal with the reality of higher gas prices, lower investment returns and, in some cases, pay cuts. While the economy has forced many consumers to scale back, others have voluntarily reduced their spending, with the goal of being better prepared for the next financial crunch.

Not everyone equates "frugal" with "cheap" anymore, and saving is more "in" than it's been in years. Rather than renounce their newfound frugal ways as the economy recovers, many who adopted a less materialistic lifestyle in response to the recession are choosing to continue living simply.

## **Many rewards to frugality**

Wearing last year's fashions, driving an older car and eating at home rather than at restaurants might sound to some like deprivation. But "frugalists" say the intangible rewards of a less materialistic way of life—peace of mind, financial independence, more free time and a lighter environmental impact—are greater than anything money can buy. In study after study, people who have chosen a simpler lifestyle report being happier and more fulfilled.

There can be tangible rewards to a simpler, more frugal lifestyle. Households that reduce spending can redirect those dollars toward increasing savings and reducing debt. A stronger balance sheet makes it possible to achieve financial goals, from starting a business or buying a home to pursuing investment opportunities and increasing charitable giving.

## **Simple Steps To Frugality**

You can enjoy many of the benefits of a simpler, less materialistic life with these six steps.

***Find your motivation.*** Figure out what is most attractive to you about living more simply and frugally. Saving the planet? Having the freedom to work part-time? Eliminating the stress of living paycheck to paycheck? This will keep you on track when temptation strikes.

***Choose the version of simple living that works for you.*** Just because your neighbors grow their own food, use alternative energy and ride their bicycles

everywhere doesn't mean you have to. Explore the many strategies for reducing spending, lightening your impact on the planet and simplifying your life, and adopt those that are sustainable for you.

**Become a conscious consumer.** The most effective way to analyze your spending is to track it. Free online tools make it easy to see exactly where your money goes.

**Keep company with like-minded people.** Surrounding yourself with people who, like you, are trying to live a less materialistic life makes your lifestyle choices and goals the norm.

### **Making it pay to be frugal**

Stretch your resources and stay within your budget with these tips:

**Cut the cord.** Cancel paid cable TV and save a bundle each month.

**Movie night freebies.** Avoid the cost of Netflix or Redbox by borrowing DVDs of movies and favorite series from your public library.

**Trim your tresses for less.** Try a local beauty school for a free or low-cost haircut. At some salons, skip the blow-dry and save up to half.

**Beauty on the cheap.** Cut out brand-name beauty supplies. Use baby oil or sweet almond oil as eye makeup remover and olive or almond oil for baths and hair conditioning.

**Skip the Starbucks.** The savings can really add up when you brew your own coffee at home or work. Pour it into a to-go cup and you're on your way. At \$3-\$4 per daily cup you could save \$780 or more per year.

**Brown bag it.** Prepare your own lunch and bring it to work. You could save \$5-\$10 dollars a day, or between \$1,300 and \$2,600 per year.

**Tweak the cell phone plan.** Shifting your cell phone service to a slightly different plan could save you bucks each month. (Switch when your contract is up, or you may have to extend your contract.) If your kids have cell phones, sign up for unlimited texting, as this is the way kids communicate. Also, consider prepaid cell phones and service—the industry offers data (Web-enabled) phones and the monthly cost has dropped substantially in recent years.

**Cut text, data usage.** You can text for free with [WhatsApp Messenger](https://www.whatsapp.com) (<http://www.whatsapp.com>) for the iPhone, Android and other smartphones (99¢ after the first year). Users generally give the app high marks. Whenever possible, set your phone to Wi-Fi—available free in many libraries, cafés and other public spaces—which doesn't use your wireless data plan.

**Clip this.** Only use coupons for items you were planning on buying anyway. Some large supermarkets allow you to claim coupons online that are added to your supermarket loyalty card so you can claim them at checkout. Make sure the discounted price isn't higher than that of a comparable store brand.

**Slash insurance costs.** Insurance premiums have skyrocketed in recent years. To save, consider increasing your deductible (the out-of-pocket amount you pay before your insurance coverage begins). Set the savings aside in case you need the money later. Adjust the deductible based on how much you could afford to pay if you were to file an insurance claim.

Check on discounts you might be entitled to, including breaks for good drivers, low mileage, multiple policies, burglar and fire alarms, etc.

Shop around with various insurers. You might get better discounts if you switch all your business to a new company.

**Flip the switch.** Unplug chargers and other devices that consume energy while in standby mode. Use a power strip for your computer, TVs, DVD players and other household electronics. Just flip the strip switch off when not in use. The EPA says this can cut 10% from a typical household's electric bill.

**Take your temperature.** Adjust your thermostat setting by a few points, lower your water heater setting, use cold water for washing clothes, and line dry your laundry.

**Slow the flow.** Use a low-flow shower head to cut down on water usage, turn off the tap while brushing your teeth and recycle veggie-washing water for plants.

**Cut costs on almost anything.** Search blogs that feature frugal living ideas and find out how to save on dining, cleaning, entertaining and more. Here are a few such sites:

- [5DollarDinners.com](http://www.5DollarDinners.com) (<http://www.5DollarDinners.com>) as the name implies, the site shows you how to cut meal costs and grocery bills and still leave the table feeling satisfied.
- [MyTwoDollars.com](http://www.MyTwoDollarDinners.com) (<http://www.MyTwoDollarDinners.com>) helps you slash costs by reusing household items for new purposes such as wrapping paper, household cleansers and packing material.
- [FrugalDad.com](http://www.FrugalDad.com) (<http://www.FrugalDad.com>). Provides common sense ways to save on energy and daily expenses—for example, by reducing the temperature on your hot water heater and cutting gasoline consumption with a new air filter.
- [WiseBread.com](http://www.wisebread.com) (<http://www.wisebread.com>). Helps you “live large on a small budget” with a frugal living section and personal finance tips on how to reduce credit card debt.

## **Options abound for sustainable and frugal living**

Sustainability—the responsible use and management of resources so they remain available to meet future needs—goes hand-in-hand with frugality. If your choices are made with sustainability in mind, you will naturally spend less since reducing, re-using and sharing all cost less than buying new. Likewise, consumers whose goal is frugality buy less overall and tend to buy fewer new products in particular, thereby consuming fewer resources and reducing waste. Whether your priority is saving money or saving the planet, a growing community of frugal and sustainability-minded consumers has given rise to a plethora of ideas, communities, services, cooperatives and businesses, all designed to help you avoid mainstream consumerism.

### **Reduce**

Reduce means to buy less and use less.

The small home movement, which picked up steam following the housing bubble, encourages downsizing from multi-bathroom monster homes to houses that are more affordable, maintainable and ecologically friendly.

The benefits of a smaller space include fewer building materials, less work to clean and maintain a lower purchase price and less energy used. Downsizers can get big results just by changing how they get around. Check out public transportation options, and if you're fit, consider a bicycle.

[CarpoolWorld.com](http://www.CarpoolWorld.com) (<http://www.CarpoolWorld.com>) connects passengers and drivers who want to share the ride.

If you're still driving to work but would like to save time and gas by telecommuting, read the advice offered by [Citi](http://citi.us/Rpit8g) (<http://citi.us/Rpit8g>) and [Forbes](http://onforb.es/1288TZo) (<http://onforb.es/1288TZo>) on how to sell your boss on the idea. (Tip: Stress how telecommuting will benefit the company, not how it will benefit you.)

### **Barter/reuse**

There are many websites that facilitate bartering—trading goods or services without the exchange of money—swapping and other forms of “social commerce.” [Craigslist](http://craigslist.com) (<http://craigslist.com>) which serves the entire country through region-specific sub-sites, offers not only a “for sale” section, but “barter” and “free” sections as well. There's also a “housing swap” section,

### **Share**

There's no reason every family in the neighborhood has to have its own lawnmower or snow blower. Why not start a neighborhood cooperative to share big-ticket, space-hogging, rarely-used-but-necessary tools? A co-op can be formed to meet virtually any

need, such as child care (trade babysitting hours), cooking (prepare meals to share) and garden produce (share what you grow). All you need to form a co-op is a common need and agreement on how to meet it together.

Even non-gardeners can share in the bounty through community supported agriculture programs. Locally produced food conserves energy because it doesn't have to be shipped hundreds or thousands of miles, and it is typically free of packaging. (It also tastes better.)

A credit union is an entirely different type of money-saving co-op. Credit unions do most of the same things banks do—offer checking and savings accounts, make loans, issue credit cards and more. But because their members own them, they charge lower account fees and interest rates on loans and tend to pay higher rates on savings.

### **Save**

Sometimes you just can't avoid buying new. In those cases, look for sales and coupons. (Usually, grocery coupons are just for brand names—so compare prices on store brands, too.)

If you're looking for a percentage-off discount code for a particular online merchant, do an online search for the name of the retailer along with the words "discount code" or "coupon."

### **Do it yourself**

DIYers almost always save money, and they often help the environment, too. But what if you don't know how to change the oil in your car or unclog a drain? To learn, visit sites such as [About.com](http://bit.ly/W69Mxh) (<http://bit.ly/W69Mxh>), the [DIY Network](http://www.diynetwork.com) (<http://www.diynetwork.com>) and [DoltYourself.com](http://www.doityourself.com) (<http://www.doityourself.com>).

### **Leveraging credit wisely**

Credit is a tool to help you achieve financial goals, not a way to buy things you can't afford and don't need. Using credit strategically can help you reach major financial goals such as buying a home or car, making home improvements or paying for education expenses.

Before you use credit you don't intend to pay off at the end of the billing cycle, ask yourself:

- *Will using this credit help me achieve a sound financial goal?* If no, then don't do it.
- *Can I comfortably afford this item without using credit?* If yes, pay cash or pay off your credit card balance in full when the bill arrives. If no, ask yourself: *Do I really need it?*

## **Be prepared for emergencies**

Saving for emergencies can help you pay for unexpected expenses—your car breaks down or your fridge goes on the fritz—with cash instead of credit. Start saving today to build up a cushion to cover the financial curve balls that life throws at you. Schedule automatic transfers from your checking to your savings account. Use your credit card only for emergencies.

## **Build good credit**

Have you checked your credit report this year? If not, go to [AnnualCreditReport.com](http://AnnualCreditReport.com) (<http://annualcreditreport.com>). This is the official site built by the big three U.S. credit reporting agencies to furnish free annual credit reports, as required by federal law. You can obtain all three reports at once, but it's a better idea to stagger the three over the year so you can monitor your credit report at regular intervals for fraud and mistakes.

## **Socking it away**

Create a savings strategy that protects you during emergencies and also helps you meet your financial objectives. Your plan should enable you to:

- build an emergency fund,
- accumulate enough to pay for important purchases in the short- and medium-term, and
- achieve major, long-term financial goals.

Determine the total amount you'll need and calculate how much you'd have to save per month (or pay period) to meet the goal. Set up automatic transfers from checking to savings. Some employers can directly deposit your paycheck into two accounts, such as your checking and your savings or money market account. Add your annual tax refund to the pot.

***Emergency fund.*** This stockpile is to cover unexpected expenses like medical bills, accidents, emergency home repairs, auto and appliance breakdowns. It should also be designed to give you a cushion in case of a job loss. An emergency fund is a must for people of all income levels.

Set your emergency savings goal at three to six months of living expenses. Adjust it regularly as circumstances change for you and your family. If your family is reliant on one income, you may want to save even more in case the breadwinner is disabled or unemployed for a time.

***Short- to medium-term goals.*** Save these funds for expenses you plan for in the next couple of years—like a car purchase, home improvements, a wedding or a vacation.

**Long-term goals.** College, major home improvements and retirement are examples of long-term goals. If you won't need the funds for years to come, your strategy should be different: Investing some of your savings will help the money grow to carry out future plans.

If you're confident that you won't need to access this money for a long time, you could deposit it in an insured certificate of deposit (CD) account that would pay a higher rate of interest than a regular savings account (although even CD interest rates these days are extremely low). Money deposited in a CD is expected to not be withdrawn for a specific period of time, in some cases years. Hefty penalty fees are imposed for early withdrawal.

### **Laddering CDs**

If you'd like to take advantage of the higher rates that longer-term CDs offer but you don't want to tie up all your money for a long period, consider "laddering" your CDs.

One way to ladder is to buy CDs with varying maturity dates so that some of your money is always becoming available relatively soon. For example, if you had \$4,000 to invest, you might buy one three-month CD, one six-month CD, one nine-month CD and a one-year CD, each for \$1,000. As each of your CDs matured, you could decide how and where to reinvest the money.

Or, if you need the cash, you could keep the proceeds in a more liquid savings or money market account.

Money market deposit accounts (MMDAs) pay a higher interest rate than standard savings accounts and generally are FDIC-insured, however there is usually a limit on the number of account transactions (checks and ATM withdrawals) allowed within a stated time period. Do not confuse MMDAs with money market mutual funds, which are not insured. You can withdraw the money in your money market account at any time without a penalty fee.

### **Saving for college**

For college costs, consider investing in a 529 plan. These are state-sponsored savings plans that offer federal and state tax advantages. Some states also offer matching grants. According to the College Savings Plans Network, 23 states offer savings matches ranging from \$300 to \$500. Savings in 529 plans are invested in mutual funds, which are not federally insured, so your investment could grow or decline in value.

### **Saving for retirement**

The easiest way to save for retirement is with automatic deductions through your employer-sponsored retirement plan, if you have that option. Otherwise, consider opening an individual retirement account (IRA). Depending on the type of IRA, you may

be able to make tax-deductible contributions and postpone paying taxes on the earnings until you retire. Contributions to a Roth IRA aren't deductible, but earnings are typically tax-free. The longer you have to invest, the more flexibility you have in choosing higher risk-reward investments. Experts recommend trying to save 10% of your income per year for retirement.

### **Savings boosters**

After several years of paying down debt and increasing savings, the nation's personal savings rate dropped to 3.3% in September, according to the U.S. Department of Commerce. That's down almost one percent from June (at 4.4%). Buck the downward trend.

### **Increase your income**

OK, you have a job. But maybe you could earn even more money and put those earnings directly into savings.

Source: *Consumer-Action.org*

[\(\[http://www.consumer-action.org/news/articles/frugal\\\_issue\\\_winter\\\_2012\]\(http://www.consumer-action.org/news/articles/frugal\_issue\_winter\_2012\)\)](http://www.consumer-action.org/news/articles/frugal_issue_winter_2012)