

## **How being cheap will leave you broke**

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All of us want to save money, right? Even the multi-millionaires want to save money on taxes, and those of us not in those high-level income brackets often need to live as frugally as possible in this tight economy. There are great ideas for saving money, but there are also bad ideas: Things we can do that seem to save money, but end up costing us in the long-run. Here are a few budget blunders to make sure you avoid.

### **1. Neglecting Basic Maintenance**

You need a place to live and a way to get from one place to another, and those items - home and car - are usually the biggest ongoing expenses. But neglecting the basic maintenance needed on your home and car will only end up costing you more money down the road. House upkeep, such as changing furnace filters, cleaning out the chimney, cleaning out the gutter, even keeping up with landscaping, is not something you should neglect. Neither is changing the oil and checking the fluids on your car. Lack of maintenance inevitably leads to something big breaking and that will cost you a lot more to repair than it would have cost to make small, ongoing investments in regular maintenance.

### **2. Doing Your Own Taxes**

If your tax returns are simple and you know enough about finances and tax laws to fill out the right forms, send in the right documents and keep your own records, doing your taxes isn't a big deal. However, if your tax situation is at all complicated, or you're at all unsure of what you need to report, then doing your own taxes can end up costing you if you miss something. Even a small miss will end up being a big cost because of the penalties and interest that will apply when the Canada Revenue Agency catches your mistake. Shell out a little bit now and get a professional to make sure your taxes are done correctly.

### **3. Diving into Your Retirement**

Nobody likes paying interest on a credit card, or having to go without something that seems essential. But diving into your retirement fund to fix those urgent money problems you have today will backfire like nothing else in life. Your retirement fund needs the years it has until your retirement to build, and when you take it out early, you're costing yourself a huge amount that you'll definitely wish you had later. Solve your urgent problems with a little creativity. For example:

- Pick up a side job or do some freelance work to make cash.
- Sell some of your belongings that you don't need.
- Stop (or cut down on) eating out and buying coffee or soda.
- Look for ways to cut costs in your regular expenses, such as dropping/reducing your cable and cell phone plans.
- But don't cheat yourself out of retirement money!

#### **4. Not Saving Anything**

Another significant financial sin is neglecting to save at all. Why is this so bad? Because life happens. Unexpected expenses will come. And if you don't have any sort of savings cushion to help you deal with those expenses, you'll find yourself relying on your credit cards, high interest loans or some other equally horrible way of paying for stuff in a crisis. So save something out of every single paycheck. Maybe it's only \$10 or \$20 at first, but eventually you could build up to \$50, then work your way to \$100. Save whatever you can and the savings will add up, helping you avoid more debt in the future.

#### **5. Skimping on Food**

Food is a big expense, and it's a big temptation to buy the cheapest stuff out there, whether for eating at home or when you need to eat out. But cheap, nasty food results in nasty meals and doesn't help you stay healthy. If you can't avoid eating out from time to time, go somewhere with healthier, better food, and eat less. Split an entree, or have an appetizer instead of a main course. Skip the alcoholic drinks, which will increase your bill in a hurry. And for the food you eat at home, spend a little bit more on your grocery bill so you can cook healthy, great-tasting meals that will make you enjoy eating at home.

#### **6. Risking your Health**

Health insurance is expensive, but paying your own medical bills is even more expensive. And neglecting to deal with your medical problems because you don't think you can afford the bills? Expensive and stupid. No, you don't need to run to the doctor for every single cold you get. And yes, you can certainly research and save money on your health insurance. If a high-deductible health savings plan is your best option, that's okay.

#### **7. Letting Coupons Shop for You**

You can find any number of blogs and websites dedicated to the fine art of coupon shopping. Buying a product at the discounted price you get with a coupon is certainly cheaper than paying full-price - no one's arguing with that concept. However, if coupon clipping leads you to make purchases you wouldn't normally make, it's money wasted, not money saved. Only use coupons if they apply to your normal and needed purchase items. Otherwise, skip the coupon and skip the purchase altogether.

#### **The Bottom Line**

Saving money is smart; we all know that. But you want to save money in smart ways, by saving, investing, cutting back on unnecessary spending, paying off debt, and not by going cheap when it will end up costing you more long-term. Check back on the cheap choices you've made lately - are you making smart financial moves or just responding to urgent situations? Good financial habits now - and smart choices for saving money - will help you build a solid financial future.