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Sharpen Financial Skills to Weather Tough Times and Save

MANHATTAN, Kan. – Rising prices challenge consumers, yet tight times can prompt money-saving strategies that may put more money in your pocket, a Kansas State University specialist said.

“Getting a handle on your financial situation requires some homework, but investing even a little time may help to pay down debt and build savings,” said Carol Young, a K-State Research and Extension financial management specialist.

To begin, Young recommends determining net or take-home pay, which is the amount available after deductions for taxes and benefits.

Then make a list of weekly or monthly fixed payments such as a mortgage payment or rent, average utility bills, insurance (car or truck, home or renter’s, medical, life), auto or other loans and credit card payments, food, regular healthcare expenses, contributions to an emergency fund or savings goals and miscellaneous expenses, including transportation, clothing, etc.

Compare the total amount of fixed payments and expenses with the money available (net pay) to determine whether cash flow is positive – or negative, Young said.

A positive cash flow, meaning that money is available to cover bills and savings goals, should be evident in account balances and cash on hand, she said.

A negative cash flow indicates that spending exceeds the amount available, Young said.

Improving a slightly negative cash flow may simply require working a few extra hours or cutting out extras like premium cable channels or cell phone add-ons, the financial management specialist said.

Failing to resolve a negative cash flow jeopardizes future earnings, particularly for consumers who are having trouble making the minimum payments on credit cards, Young said.

Running up still more credit card bills typically adds to financial woes, rather than helping to resolve them, she added.

While some can benefit from financial counseling, almost everyone can benefit from weeding out unnecessary expenses, said Young, who offered the following tips:

- * Track cash spending for one or two weeks or a month to identify impulse buying.
- * Cover the basics, such as housing, utilities, food, and healthcare first.
- * Evaluate financial needs (such as replacing the family refrigerator or buying new tires for the car), and prioritize them.

- * Pay down debt, being sure to cover minimum payments on all credit cards to avoid fees while setting up a plan to pay off the cards. Paying off a credit card with the highest interest rate or biggest balance is typically recommended, but paying off a card with a lesser balance first can sometimes boost a consumer's confidence in his or her ability to retire debt. Reducing, and eventually eliminating, debt will save interest and other fees and make more money available for current and future goals.
- * Build an emergency fund to cover unexpected expenses without borrowing. Set an initial goal of \$500 to \$1,000, but aim for an emergency fund equal to three- to six-month's income. That can offer protection in the event of a job loss or layoff, accident or illness.
- * Leave credit cards at home. Commit to paying with cash, check or debit card -- or not buying.
- * Monitor and balance checking, saving and other financial accounts regularly to avoid fees. Report errors immediately.
- * Put nice, but-not-necessary wants (like a larger television set) on a waiting list; discuss large purchases or investments with a spouse or partner before buying.
- * Practice making less costly choices, such as choosing to eat out occasionally, rather than regularly, or bringing a snack to work, rather than buying from a vending machine.
- * Consolidate errands to reduce fuel costs, and consider car pooling to work or school activities to save. If available, use public transportation.
- * Shop with a list – and stick to it.
- * Eat before shopping for groceries to reduce impulse food purchases.
- * Evaluate sales before buying. Another sweater or pair of shoes isn't likely to be a bargain, if it doesn't match anything already owned.
- * Go green. Engage the family in money-saving strategies such as turning off the faucet while brushing teeth, limiting time in the shower, using one, rather than two towels, or adjusting the thermostat (up in the summer, down during in the winter) and turning off lights when leaving a room to save on utility bills. Do laundry early in the morning or dishes later in the evening when rates are reduced.

While spending habits – or patterns – aren't easy to change overnight, small changes, such as saving a dollar a day, could yield close to \$200 in six months, Young said.

More financial management tips and money saving strategies are available at county and district K-State Research and Extension offices and on the Extension Web site: www.oznet.ksu.edu/financialmanagement/.

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