

Surviving the Credit Crunch - Baniyapanti 101

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During these tough economic times, everyone is feeling the pinch of the rising cost of daily consumables. Here are some tips for a quick tune up to make sure that you are minimizing financial waste and maximizing returns. Money in your wallet, bank or under the mattress can do only two things "come in" or "go out" and that is the basis of this article Where, when and how money comes in, (paychecks, interest, dividends, CDs, etc.) and where money is spent (cash, checks, credit cards, direct withdrawals etc.) The very first step is to figure out your in and out cash flow. I suggest using only one bank and one credit card. This way, you are aware of your spending patterns at any given time.

CASH COMING IN

- **401 K** Max out your 401 K. You save before you have to pay taxes. Most employers match some part of the 401 K contribution so that is free money right there.
- **Health coverage** Health cost is constantly rising. It makes sense to do certain comparisons. If you go to the doctor about once a year, it would make sense to get coverage which has a higher deductible but lower premiums.
- **Vision/Dental** Most insurance companies will give you a free check-up every year and you can get glasses or your teeth cleaned for less than \$100. Evaluate the need for vision/dental insurance.
- **HCSA** If your employer offers health care spending accounts, look into them as you can pay for health expenses with pre-tax dollars.
- **IRAs** Other tax savings can be achieved with Roth IRA and IRA (talk to a tax professional).
- **Second source of income** Constantly think about a second source of income or updating your skills (especially in this economy).
- **Save at source** Set up automatic withdrawals for savings so you never see the money hit your account.
- **Investments** You could be losing money in this volatile stock market – keep on top of your investments and re-assess your ability to take risk. Do a risk and rewards analysis with a financial professional.

CASH GOING OUT

- **Bank** Keep an eye out for fees. Get into a bank plan which has no or minimum fees. NSF, overdraft, returned checks - all

cost upward of \$30 each time - get overdraft protection.

- **ATM Withdrawals** If you withdraw \$20 and pay a \$2 fee (charged at most convenience store and gas station ATMs), you just gave away 10% of your money to get your



money. Withdraw enough for a couple of weeks (if you are disciplined enough) or use debit cards and get cash back at grocery stores.

- **Electricity** Florescent lights, energy efficient bulbs (especially in high usage areas), timers, dimmers, automatic shut off lights, turning off appliances (computers, printers, etc.) can save you about \$20 – \$60 a month.
- **Water bill** Assess the need for running sprinklers, check for leaky faucets and get low flow installed. If you suspect a leak, take the water reading when you are planning to leave the house for a couple of hours and check again to see if the meter moved. Savings of \$20 – \$30 a month.
- **Phone** Determine if there is a need of a landline and if so, how many services you need. Once shaved, there are savings of about \$30 – \$60 here.
- **Cell phone** Compare different options and

keep an eye out for overage and texts which can add up. Savings of \$10 -\$30 a month.

- **Cable** Many different choices. Try to get a bundle service which incorporates TV, Internet, phone and *desi* channels. Savings of \$30 – \$60 a month.

- **Long distance or overseas calls** Get into a plan with unlimited calls or a higher cell phone plan. Use calling cards instead of direct dialed calls. Saving of \$20 – \$50 a month.

- **Auto Insurance** Shop around and drop unnecessary coverage. Full coverage on a 1987 Dodge Caravan will get you \$400 odd from the insurance company and will increase your premium by \$230 – do the math. Savings of about \$50 – \$80 a month.

- **Home Owner's or Rental Insurance** Insurance companies do not drop premiums easily.

It pays to shop for new insurance every few years. Last time I shopped for insurance, I dropped my premium by \$428 for the same coverage and with the same agent.

- **Car pool** This will help save on gas bills and also on the maintenance of your car.. Savings of about \$100 a month.
- **Shopping** Use the corporate formula of JIT- Just in time. Go and get what you need for the week or month and make an exhaustive list so you are not going grocery shopping every other day. Savings of about \$200 a month due to elimination of other peripherals you end up buying as impulse buys when you go shopping more often.
- **Working from home** The average commute is 15 miles plus. By the time you add gas, lunch, dry cleaning, wear and tear on your car, it comes to quite a bit. Working from home once a week can save you around \$80- \$100 a month.

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