



THE PODCAST TRANSCRIPTS

Welcome to the Podcast series for FrugalCenter.com. This edition is entitled How to Start Saving.

I'm Jay D'Avolio, Founder of FrugalCenter.com. Our goal at FrugalCenter.com, through these podcasts is to bring to you useful information about being wise with your money, and saving for and investing in your future through simple ways of which you may be unaware. Possibly you are having difficulty getting started due to some preconceived notions about spending and saving. We are here to help you create some long lasting habits – good habits – that will help you have a more secure today and tomorrow. Over time we will also touch on some other important topics such as:

- How to plan for success
- What is a mastermind group and how can it help me
- Needs versus Wants
- What are some ways I can improve my credit score
- What is compounding interest, and
- How to effectively comparison shop

The list will keep growing so stay tuned and you will definitely learn some useful information.

This first edition is entitled How to Start Saving

- Everyone can save. It doesn't matter if right now you have nothing left over for savings after all your bills are paid. No matter how old you are, no matter where you stand right now financially – no matter how much debt you have or if you've filed bankruptcy. If that is the case, all it means is that you have to create a budget – or create a new budget – because something needs to change.
- It really all depends on how badly you want to start saving.
- First you need to start thinking about savings goals!
- Do you have a specific goal...or a Need for something in particular you can't afford? Or possibly you just want to have a rainy day fund? It doesn't matter. The key to successful saving is to start where you stand and create a new habit of saving. Because despite what you may think – everyone NEEDS to save.
- You can save for education or for retirement, but also for vacation or the new car. There are so many different things for which to save – everyone will save for different reasons. And it's always better to have the savings there ready to use when necessary, rather than borrowing the money and be stuck paying interest to a bank.

- So how do I start?
 - o Well...spend less than you make. Very simple. And it really is that simple.
 - o But, if all your income is accounted for, what do you do? Either keep your spending the same and earn more money and save the extra OR reduce your spending and then put into a savings account what you have shaved off your spending.
 - o Spending is essentially made up of fixed expenses and discretionary expenses.
 - Fixed expenses are those that recur every certain period such as: rent or a mortgage, insurance payments, gym membership, cable bill, electric and heating bills – pretty much anything for which you have a contract and/or are bound to pay a certain amount.
 - Discretionary expenses are those that just happen daily or weekly but for which there isn't a fixed cost, such as: lunches and dinners out, movies, impulse purchases that you don't need, etc.
 - o So, think about it...if you aren't saving anything you either have to earn more or spend less. Earning more is for a different lesson, so let's stick with spending less. To that end you have to start reducing or eliminating spending on what isn't absolutely necessary.
- What you need to do is list all your fixed expenses: rent, electric bill, heating bill, car payment, insurance payments, contract gym membership, and all other monthly expenses for which you have a contract, etc.
 - o Then you look at each contract to see how flexible the terms are regarding renegotiating, suspending or terminating the contract. Many of those "fixed expenses" aren't so fixed after all. For instance, with respect to the cable bill, you can get a cheaper package of channels, go to an alternative service or just contact the company and ask for a better deal. With respect to your car payment, many banks and credit unions offer refinancing options for automobiles – check them out because they may offer a lower interest rate than you are currently paying. Regarding your electric and heating bills, you can be more energy conscious and see a dramatic savings just by turning off the lights more often or lowering the heat and wearing a sweater in your house or apartment. Gym memberships may be able to be suspended or eliminated if you are out of contract – and not using the gym, of course. You can shop around for better deals on your auto insurance and private property insurance too – if you are a good driver, possibly consider increasing your deductible which will reduce your annual premium. You can negotiate almost anything. You can refinance student loans, mortgages and even try to get a cheaper rent by offering service to the landlord in exchange for a reduction in rent.
 - o Tally up the savings you have just created from reducing those monthly bills.
- Next, list all the things that are discretionary that you are typically spending already,
 - o For instance: daily coffee (or 2 or 3x daily coffee), lunch at a restaurant and takeout, magazines, movies, nick-nacks for your apartment, the latest fashion –

when what you have is just fine, etc. Possibly even worse, if you smoke a pack of cigarettes per day, etc. Then you start reducing or eliminating your discretionary spending.

- Tally up the savings you have just created from reducing your spending on the unnecessary things.
- THERE YOU HAVE IT – what you are able to eliminate from your monthly recurring and discretionary spending becomes your savings.
- So, take that money – the reduced gym membership, the eliminated subscriptions, the reduced cable bill from the renegotiated monthly fee, the reduced # of coffees per day, etc., and DEPOSIT IT IN A BANK ACCOUNT.
- There are now so many easy ways make deposits electronically – even directly through your smartphone, or you can also start the old fashioned way – with just the change in your pocket.
- The MOST important thing is to actually move the money directly to a savings account. If you do that for three (3) months, you will see the dramatic difference and wonder why, although you probably thought about it before, you had never taken the steps to make it happen.
- Go to FrugalCenter.com and click the open savings account. It is a simple step by step process for you to set up a savings account with a bank we have partnered with. To get you started.

I'll leave you with a lesson from one of the greatest parables – applied to savings:

“Give someone a dollar, they have money for today; teach someone to save a dollar, they have money for a lifetime.”

Once again, thank you for listening to the First Podcast from FrugalCenter.com – Entitled: How to start saving.