



“Decreasing Expenses with a Lifestyle Change”

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If you want to get a control over your financial life you need to develop a budget. After you have developed a budget and entered in the data for several months, you can print a cash flow statement and get some visibility on how much money (exactly) is coming in and how much is going out. Your goal then will be to make some decisions about how you can change your life to get yourself on the path to financial freedom.

First of all, if after entering all the expense and income data, you discover that your bottom-line expenses exceed your bottom-line income, don't be alarmed. At least you are aware of the problem and you now might understand why your credit card debt continues to rise and rise and never seems to go down. If you look closely at your cash flow report, you can even identify some areas where slight modifications to the way you live can change the negative number at the bottom of the page (representing a net loss each month—meaning you spend more than you make) into a positive one.

Suppose that you have been gambling at the keno machine every week on Friday or Saturday night, and each time you did this, you lost \$30 to \$50, but you had a few drinks and talked with friends at the bar after playing, so you had fun and it felt good to do it. Every few months, maybe you cashed a winning ticket for \$100 and you felt rich and went to dinner. All of this you considered necessary because it took your mind off the drudgery of your day-to-day grind working in your cubicle answering telephone calls from irate customers. Well after 6 months of entering your budget information, all the income data and expenses, you discover that your budgeting software is printing a BOLD RED negative number in the gambling column. Even though you entered in the \$100 win



ticket and the software subtracted that amount from your losses, you still ended up with a big red -\$860 on the page!!! Wow! All of those losses sure added up fast, and the bad thing is that at this rate, you will have lost over \$1,700 by the end of the year, and that is more than your wife makes in an entire month. Now you understand who paid for all those pretty casinos on the strip in Las Vegas.

People like you did!

So maybe it's time to make a lifestyle change. Maybe instead of going to the pub and playing keno, you try going to the movie and you find that you have just as much fun and it only costs \$20 instead of \$40. So if you can stay out of the pub and continue going to the movies, or to something that costs \$20 or less each week, then you have just cut your entertainment expense in half, and at the end of the year you will have over \$800 extra to show for it.

You have just witnessed the power of a budget. By tracking your expenses, you identified a potential lifestyle change, you made the change, and now you can put an extra \$800 into a savings account at the end of the year. This \$800 will make some amount of interest and this interest will add to the income side of your budget. So next year you will have a little more money than you did this year and you will be moving in the right direction and getting closer to your goal of financial freedom.