



## Controlling Spending

Daily we receive grim reports of reduced paid work hours or worse, job loss. This hits all families hard and during the holiday season it is a bigger knock. Studies show that most families wait about six months before spending habits are adjusted. Procrastination and money management do not equal success.

The first step after your income is reduced is to plan your spending. Taking charge of your financial situation immediately will contribute to your family's well-being now and in the future. Make a list of the family's most important expenses. These usually include housing, car payments and insurance. There maybe other installment debt that needs attention as well. Flexible expenses such as food, utilities, clothing, and household expenses can be more easily adjusted to fit your income. Most people find it easier to cut back on flexible expenses.

When prioritizing your expenses, consider the consequences of avoiding the expense. Missing payments on housing, basic utilities, your auto loan, and other debt can result in penalties, foreclosure, repossession, shutoff notices, etc. Going out to eat, buying things you really don't need, reducing cell phone usage, and cutting off cable are things that can be avoided when times are tough.

Debt management in tough times is not an easy task, but it can be done. If you have to make a late payment or miss a payment, contact the creditor as soon as possible to work out a plan for getting back on track. "Level billing" with utility companies is a way to manage monthly bills since utilities can drastically increase and decrease depending on the season. The way it works is the service provider averages the previous year's monthly bills so they are equally distributed throughout the year. However, if you exceed the budgeted amount, you could owe money at the end of the current year or your fixed payment will increase next year. In some cases, a utility company may make an adjustment during the year, if usage is greatly exceeding the estimated amount. This strategy provides short-term relief to the monthly budget if utility costs are rising.

When your income or personal situation changes, review your insurance coverage. If your income decreases because of a layoff, illness, disability, divorce, or death of a breadwinner, you may find it extremely difficult to pay insurance premiums. If this happens, you should first determine your minimum needs for insurance. Then, call or write your agent to check into a different payment plan that allows you to keep your coverage. Or, investigate plans with lower premiums. Insurance is the primary way you protect yourself against financial loss caused by illness, accident, and other destructive or damaging events. Through insurance, you pool your risk with others. You pay (or your employer pays for you) a premium to an insurance company that in return pays for the damaging effects of a large loss if it occurs.

You may decide to accept some risks and share others. Savings, instead of insurance or maintenance contracts, could be used to pay a variety of unexpected expenses such as burial expenses and repair of major equipment. Using deductibles (the amount of money you agree to pay per claim before the insurance company pays for a loss) is a way to share risk.

The biggest mistake is not controlling spending. Living in denial and thinking there is a quick fix will only cause undue stress for you and your family. Even a temporary cut in income without adjusting spending will lead to overuse of credit and take much longer to recover from after income has returned to normal.

To successfully live on less income, all family members need to work together to reduce spending. When reviewing your spending plan, look for ways to avoid waste, substitute less costly items and share or trade resources.

**Made Available By  
Cynthia Stephens  
Extension Agent (Family & Consumer Sciences)  
Ouachita Parish  
(318) 323-2251**

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