

Thrifting into a Debt-Free, Carefree Lifestyle

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Foreword

This book has been written with all those people in mind with whom I have had conversations about the high cost of living and how to keep afloat in a toxic financial situation, such as in the economically trying times that we have experienced in the new millennium. Since most middle class Americans have been hurt somewhat by downturns in the stock market, unemployment and/or under-employment, or the ever-increasing costs of maintaining a comfortable lifestyle, the contents of **THRIFTING INTO A DEBT-FREE, CAREFREE LIFESTYLE** focuses on remedies to recapture the rewards of what you all have worked hard towards.

The measurement of success for the efforts involved to get this book to print will be the benefits reaped by you, the reader.

This is written in large part due to the encouragement, support and love of my husband, Ken, to whom I am equally dedicated.

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Introduction

It seems that more than half of the baby boomers are amassing huge amounts of debt on a yearly basis, just to live the good life. When insurance costs for health, home and automobiles increase sharply and income simply cannot match the pace, the result is a paycheck whose elasticity has been stretched so far that it finally just snaps. Now, there are bills to pay; homes to be paid off, maintained and furnished; much-needed vacations to be funded; college educations to be planned for; and ever-increasing credit card debt. Alas, there are measures that can be taken in order to hold onto more of your income so that you can move further toward financial freedom.

You have chosen to read this book, hoping to pick up a few pointers about saving money and living better on the income you have. Well, you will be surprised at all the ways you can spend less, save more and live within your means without doing anything dishonest, immoral or illegal. Keep in mind that your objective here will be to live more carefree and elegantly since you will not put in more hours at work in order to do so; and, of course, you will be spending far less and saving more. Equally as important is reducing your stress level as you will minimize your debt, and hopefully learn to eliminate credit card bills.

Some of you are probably very skeptical and believe that today's standard of living can only be achieved by the jet-setters and those in highly glamorous, highly paid positions. Still, others are challenged everyday with the high costs of raising children and all the associated costs from childbirth to college graduation. In any event, the purpose of the chapters that follow is to offer some constructive advice towards easing the burden of your

financial straps and leading you down the road to greater prosperity and a more rewarding lifestyle.

Personally, I have always been somewhat thrifty, looking for the best buy and living a lot better on my income than others with virtually the same earnings and similar financial responsibilities; and I am finally debt-free. There really is not any profound set of rules, nor are there any advanced calculus theories involved in achieving a rewarding lifestyle for less. Most of what I will share with you is very basic, but does require that you rethink your strategies for investing and spending. As I mentioned, I have never considered myself irresponsible with my finances; however, I did not really put my strategies to the full test until I met my husband, Ken, over eight years ago. Until that point, I was savvy about getting the best deals when it came to purchasing new items and about how to substitute some lower cost quality items in lieu of the higher-priced, similar-quality “equals”. However, Ken had a different strategy for looking for bargains and economically sound investments and purchases. Together, we have learned to live simply albeit happily on relatively average income.

One of the most basic premises of joining the elite who live elegantly on a thrifty budget is the habitual question of how an expenditure is going to enhance your lifestyle and your well-being versus the price you will have to pay, the debt you may assume, and the extra hours you may need to work in order to secure the item(s) or service(s). Without this notion being a paramount determinant in your investment and purchase decisions, you will not easily achieve elegance with frugality. Additionally, you must have a sense of fairness and justice in all transactions, as you must gain frugal wisdom while maintaining high ethics and fairness for all parties involved in every purchase and investment.

My intention is not to turn you off, by listing the disclaimers up front. Instead, I wish to be extremely clear about the intentions of the very elite class who get by on little income, but really stretch each dime to get quite a punch out of each and every expenditure. There are actually numerous reasons that this is so easy to do, especially in the United States. The most obvious reason is that being the wealthiest country in the world, with only around one twentieth of the world population, we consume about one quarter of the world's goods. You may be wondering how this relates to the opportunity to prosper so very thriftily and wisely.

Well, you need to consider just what this means in terms of choices that you, the consumer, have. Since the United States is such a large consumer, then we also have available the most choices in manufacturers' goods and those who sell them (the wholesalers and retailers). Similarly, we Americans are relatively excessive in our acquisition of material goods and are rather "disposable" in our consumption habits, thus, affording a huge second-hand market of items, many of which are virtually unused or still brand new. Think of how many closets, drawers and storage containers you have that are brimming over with items that you rarely or never use. For the wise, elite group of savvy consumers who take advantage of the "surplus" available in nearly every type of consumable product, there is ample room for savings on an average of over fifty percent for total annual discretionary spending. As you will see in the pages that follow, bargains await the savvy consumer with very little extra effort or time involved in their acquisitions. Likewise, decisions on all purchases afford room for a vast range in spending plans and savings options.

Chapter 1 – General Tips

Buying on Credit Creates More Bills, Greater Expense

Aside from your home and perhaps your automobile, buying on credit is almost always a bad idea. When one buys on credit, he or she generally looks only at the monthly (or the monthly minimum) payment and not the fact that over the long run, the item purchased under a payment plan of compounded interest adds up to a very big expense. This is especially true for all the purchases made for clothing and other apparel and for Christmas or holiday gifts. The savvy thrift-minded individual knows that he or she must avoid going into debt for such expenditures so that he or she can live within his or her means. In fact, living within one's means will lead to financial prosperity for any individual at any income level. Without spending only what you have coming in --- ideally, spending slightly less --- you will never be ahead of your financial obligations. Moreover, by racking up further debt on a monthly or yearly basis, you may very quickly fall far behind in your net worth.

I do not think it is self-control that is needed as much as it is conscience about acquiring only what you really can afford. What you can afford is as simple as what can be attained with how much you are taking in every month. Anything spent above and beyond that amount will move you further into debt and deeper into a hole of financial disparity. There is seldom a good excuse for getting so entrenched in debt; this is true for the vast majority of middle income America or their wealthier fellow citizens. It really comes down to having a budget where limitations are set for all categories of expenditures, including housing, taxes, insurance, food, medicine, utilities, transportation, clothing, savings, entertainment, travel and education. It is

best to prioritize the items for which any outlay must be made so that the most basics --- food and shelter --- are provided. Other types of expenditures, such as clothing, entertainment and travel can be met with more frugally if other unexpected expenses come up. As you read on further into the book, you will see that there are ways to cut the costs of almost every aspect of living so that you can live frugally albeit elegantly.

Again, credit card spending has got to be curtailed. If you are in any credit card debt now, make plans to end that habit and start paying off more than the minimum payment. All those purchases made with plastic will end up costing far more than the ticket price of the items comprised in the balance, and many times you will still be paying for them long after you still use or enjoy them. If you are heavily addicted to such spending, seek counseling in this area, as such services are available almost anywhere in the States these days. When you shop at the mall, buy only what you can afford, only what you have enough cash to purchase. Remember that if you are paying sixteen percent interest on a credit card balance and make only minimum payments, after about six years your item is costing you at least double the actual ticket price.

Keeping up with fashion for yourself and your children can be very expensive. Sticking to a budget for all family members will help you to put the brakes on much unnecessary, damaging spending. Allot only a certain amount each month for clothing and adhere to that figure no matter how soon after the first of the month, that limit has been met. It will not take more than a few months before you will be comfortable with this, and it will just be almost second nature. Similarly, come up with a budget for Christmas gifts and other holiday shopping. Do this so that you have a bit of money set aside each month and then

spend only that allotted amount, even if that means scaling down the size or number of your gifts. You will have a much happier new year when you are not looking at credit card bills reminding you of the foolish extravagance you allowed yourself at the sacrifice of many months of fret over how to pay the piper.

Impulse Spending and Small Trinkets

In general, impulse spending usually does little more than set people into a financially burdensome situation. Often, to make matters worse, such items are purchased on charge cards. I have seen this so many times with people who complain that their bills are too high, they cannot get out of debt, and it's impossible to make ends meet. To typify the individual with a spending habit, let me present the following scenario.

Myrtle lives in a small apartment, although she makes enough money to own a small house or condo. However, she has no savings, lives paycheck to paycheck and rarely travels; ironically, her employer provides her with over four weeks vacation per year. When she has time off, she visits the downtown area of her town or takes a short trip to a resort area. She spends at least a couple of hours at the continuous strip of gift shops and souvenir shops buying overpriced T-shirts, costume jewelry, knickknacks and other small trinkets. She either spends every bit of cash in her wallet, leaving her broke until payday, which is ten days away or she has run up her credit card to the tune of another \$400.00. When she arrives home, she presents some of the trinkets to friends who graciously accept them and then scratch their heads for ideas of what to do with yet another knickknack. She displays the other trinkets on her inexpensive furniture, so that they are "lost" among all the other over-priced trinkets that accompany them. Even when she dusts the surfaces that hold the trinkets, she

quickly maneuvers the cloth around them, figuring she's gotten off enough dust, and the furniture is not of any great quality anyway. Since Myrtle goes on this type of spree about four or five times a year, she is spending about \$2,000.00 on trivial indulgences that could otherwise have gone towards payment on more desirable housing, better furniture or a more rewarding vacation.

In another case, there are Patience and Oliver. They are in their mid fifties and would like very much to start some serious planning for retirement so that they can both be through with the grueling forty-hour weeks within ten years. They would love to retire now, except that they are paying off their mortgage and the home equity loan that they incurred because of huge personal loans and credit card debt. Their goal is to own their home free and clear by the time they retire. This is great; however, even with a higher-than-average income while working, they continue to live paycheck to paycheck without saving anything. Additionally, they are racking up credit card debt because of their (mostly Patience's) addiction to spending. Like Myrtle (mentioned just above), Patience cannot resist buying trinkets, decorative knickknacks, souvenirs and almost any little trivial item that she comes across when she is at the mall.

Since Patience and Oliver are not willing to curtail their "trivial" spending, it is unlikely that they will meet their retirement goal, especially since they consider that they would need the same income in retirement years as they earn right now with them both working full time. They are not an unusual couple; in fact, they represent the typical American couple in their age group who are somewhat oblivious to the "economic slaves" they've become because of their inability to put the brakes on excess spending. Like most Americans, their dreams for retirement include a

small vacation home in a resort area. This requires some sacrifice in other areas for most middle class people. It would appear that this couple's retirement dreams will not be met and will remain a fantasy buried among piles of receipts for the trivial purchases that total at least the cost of a second residence.

Spending addicts are so prevalent these days that it is hard to find those who are exceptions. It is not only the youth, young adults and middle-aged who are afflicted. There are some people in their golden years who are so caught up in purchasing that after squandering away their savings are now living in debt on their homes, vehicles, and/or credit cards. Take for example, Jenny and Mory. At age sixty-eight and seventy, they are hooked on shopping via the Internet and television shopping networks, and after consolidating their debt on personal loans and credit cards, they have now taken a home equity loan against their (previously paid-off) house. Having gone through the savings they had put away for their retirement days in just five years, they complain that they cannot afford to travel as they had always dreamed. The truth is that the fifty thousand they racked up in debt plus the other seventy-five thousand in cash that they have frittered away would have paid for quite a few nice vacations per year, including travel overseas.

It is more readily understandable how families with children still at home or in college have great strains on their finances. What is not too easy to overlook, however, is for the parents to exercise little or no restraint on spending for extravagances that jeopardize their financial health and future. Rather than allowing the children to believe that there need not be any limits to spending or worry about debt, it would undoubtedly be wiser to encourage children to appreciate the value of each dollar

earned, saved and spent. Not only will the family function in a more realistic, financially healthy manner; the children will carry responsible money behavior into their adulthood as well. Teenagers almost always learn to take better care of their trendy, expensive wardrobes when they have to earn the money for some of these items themselves. Likewise, they will treat their cars as more of a luxury that requires care and caution if they have part or all of the responsibility for its cost, operation and maintenance.

Interestingly, another segment of the population that runs into inexcusable financial difficulty is the single man or woman in the twenty-five plus age bracket. This individual does not have the financial burden of childhood costs that his parents had or that he or she may have some day. Nevertheless, this mature single adult often has little discipline insofar as spending, yet very little in the way of assets to show for the excessive splurging. Take for example, Sean. This man is thirty-five years old, is making pretty good money as an engineer, but is in serious credit card debt. He lives in a one-bedroom apartment, drives a nice (not fancy, or expensive) car that he is paying off, and has about twenty thousand dollars in a 401K plan. Sean pays only seven hundred dollars for rent/utilities per month, another three hundred per month for his car and a total of another three hundred per month for minimum payments on his credit cards and personal loans. Considering his monthly income, he would not appear to be hurting financially. However, he, like many others, lives paycheck to paycheck and gets further into debt with every passing year because of the growing balances on his credit card.

So, what does Sean spend his money on? Sean goes to every new movie and concert that comes within a hundred miles from his home. He eats lunch out five days a week, breakfast out at least as often, and he goes to

adventure/theme parks almost every weekend from spring to fall. Since he runs out of money between paychecks, he eats most of his evening meals at his mother's home, and only takes vacations that involve a drive to a relative's or friend's house in a not-too-distant city. Sean wonders how others afford vacations, especially overseas. He also has no idea how he could ever possibly be able to buy his own little home or condominium. He usually takes a part-time evening job about twice per year to pay off yet another debt he has incurred for a music club, video club or some expensive new electronic equipment that he "can't live without".

Then, there are Rose Ann and Edmund. This man and woman are in their late twenties and have been married for three years. Each came into the marriage with a bunch of credit card debt. Somehow, though, they had managed to buy a small fixer-upper and carry only a small mortgage on it because of its very low price. Rose Ann and Edmund each bring home an average paycheck, as they are factory workers who take advantage of the overtime hours and its premium pay. The couple would like to start a family, but keep getting more and more into credit card debt. Although they are now starting to fix up their home, they have heaped on additional debt since marriage and now owe less on their home than they do on their credit cards and other consumer debt. The one silver lining may be the equity that they will have in their home if they get it fixed up properly, and if they indeed sell it for an anticipated profitable amount.

Thrift Shops

By shopping at thrift shops, you will not only find wonderful bargains; you will be helping your local community as well as recycling rather than wasting. Similarly, when you find items around your home that are

no longer being used, please do not throw them into the trash. There are certainly numerous charitable organizations and thrift shops that will put those items to use or sell them in order to fund an equally loving cause. Remember, too, that thrift shops would not exist if everyone left boxes of unused articles out for trash pickup rather than donating to a favorite charity.

It is difficult to say exactly what you will find at a given thrift shop. It really only depends on the limitations placed on the management of the shop, and the donations of those in the community. Usually, you will find clothing in all sizes and styles, for men, women and children, and for all ages and tastes. You will also find an abundance of linens and other soft goods. Often, you will find artwork and all sorts of small kitchen items and decorative pieces. It is not uncommon to find furniture, computers, printers, televisions and radios. Since most of the shops do not specialize in one type of article, but do often have more clothing than anything else, patience is required to browse such shops. If clothing is on your list, be sure to look at the racks of “better” clothing; it is here that you will find the unused or hardly used items, and, of course, the better quality apparel.

Consignment Shops

Consignment shops are different from thrift shops in several ways. First of all, consignment shops are generally (not always) for-profit organizations; however, those that are non-profit will more obviously benefit all. Many times, a consignment shop must charge more than a thrift shop since there is a return expected by the party who has agreed to sell the good with the aid of the shop owner as well as the profit needed for the business owner to pay the overhead costs. Generally, such shops do carry better quality and new to like-new items; unlike the more time-

consuming browse taken through a thrift shop, a consumer can more readily spot a sought-after good. Of notable mention also is the fact that depending upon how long the item has been under the consignment contract, you can usually negotiate with the shop owner for a lower price than the ticket shows.

In an arrangement for selling under consignment, it is not unlikely that the party whose good has not sold before the contract expires will leave the items with the shop under new conditions for nothing or very little in return for its eventual sale. Therefore, though not common, a consignment shop may offer incentives for the sale of these “left-behind” goods either by drastically slashing the ticket price or by holding a “bag” sale. This, of course, can be a way for the savvy bargain-hunter to find some great deals -- - with a little patience needed, since there may be good reasons some of the items have not been scooped up previously.

Recycling/Renewing – Avoiding Costly Replacements

Too often, we are quick to get rid of our belongings for little more reason than that we just want something different and shiny and new. In many cases, the item to be replaced has little or nothing wrong with it. Before discarding the item, ask yourself why you no longer want it. Can it be recycled? Is there another purpose or place for it? Can it be repainted, cut, trimmed or renewed? I can give you numerous examples of ways to salvage items that would otherwise be discarded into new, improved or different items altogether. In fact, why don't I do so now!

In our current home, I was not thrilled with the cabinetry, as the finish looked as if it had been yellowed with age. Upon inspecting the cabinets, I determined that they were high-quality construction and other than the “facing”, they

appeared to have another twenty years or more of life in them. After researching the cost to have them professionally refaced, I decided that this was not an option because of the relatively large expense to do so. At this point, I decided to look into the types of paints available for such project. It was after careful consideration that I decided to try one of the better spray paints that are sold. I first experimented with one of the lower “hidden” cabinets, using the same color on the cabinet doors as on the frame of the cabinetry. Since spray paints are highly toxic and can make quite a mess, I decided to remove the doors and bring them outside to be placed on a huge protective sheet of plastic. With my respirator mask, goggles and gloves, I was able to spray the paint on virtually flawlessly. After the doors had several days to air out, the moment of truth unfolded. When I hung them back onto their hinges, I was more than pleased about the quality “factory” finish that the doors now had. Over the next few weeks, I worked on about ten pieces at a time, each of the doors, drawers and other panels coming out beautifully. When completed, I had what seemed to be brand-new cabinetry, and all for the cost of some spray paint that totaled under \$40.00. Still, at this writing, I remain pleased with my--what seem to be--shiny new cabinets.

Admittedly, I tend to be spray-paint happy, especially when it comes to sprucing up quality furniture, cabinetry and shelving whose only flaw is old, yellowed veneer or too dark (I tend to go with light and bright) of a finish. Thus, I have refaced the vanity cabinetry in all three bathrooms with a fresh paint job, and am more than pleased. And, I did not stop at cabinetry and shelving. I took down all the blades from each room’s ceiling fans and sprayed them with a glossy paint. Not only do I have fresh looking fans throughout my home for less than \$10.00; the glossy paint almost seems to repel the dust and grime, making it a

breeze to keep them clean. As I will explain later on, maintaining well all the material goods you own allows you to stretch the life of any item, thereby keeping you in synch with the elite elegant thrifty.

Old furniture, such as desks, book shelves, entertainment centers, microwave stands and other hard-surfaced items can be recycled into all sorts of new tables, shelf units, plant stands or desks. And, usually, the process takes little more than painting or refinishing and maybe at worst, sawing down the height of the table legs. Even if the surface is badly worn, it can usually be salvaged by a good sanding and paint job. Or, if you are a bit more creative, you might get crafty and superimpose some old tile or prints onto the top and then put a clear finish to resurface your old relic.

Lamps, too, can easily be revamped to fit decorating needs. If the color or pattern of the lamp is outdated, try spray painting it or retexturing with a mix of paint and concrete. Or, maybe all the lamp needs is a new (rather, a revamped) shade. Is the color of the fabric on the shade no longer able to fit any of your décor? Why not take off the existing fabric and either apply new fabric or give the shade a new look with a creative painted design, decals or by imposing prints onto the shade.

Appliances can be trickier to revamp, but if in good condition, you can actually spray paint the appliance to give it a brand-new, whistle-clean look. For example, the oven in our home worked well when we moved in, but I really hated the outdated gold color. Since I thought it was silly to replace the entire oven just because of the door color, Ken picked up a can of spray paint from the local auto body shop for about \$4.00. After giving the oven door a few good coats, I have (what seems to be) a shiny new

oven at less than 1% of the cost of a new oven. Of course, you can get panels from the manufacturer; I ordered one for about seventy dollars, only to find out later on that it was for a different model and that the panel to my model was hard to come by these days.

Substituting Lower-Priced Goods/Services for Higher Priced Ones

One thing that we American consumers have is choices --- in every area you can think of, for any good or service you need. With the tremendous competition amongst all the retailers and other suppliers of what we purchase, there are great variances in prices. The savvy consumer will experiment and research in order to determine the highest quality she can get for the money. Most of us have come to terms with prescription drugs and their generics, where the name-brand one can cost up to five or more times that of the low-cost generic. This substitution can save quite a bit of money over any given year, particularly for those who are on a regular dose of medication.

It is not just prescriptions that have generic equals; most food products, over-the-counter drugs and cleaning products do as well. Clothing, shoes and other apparel also are available under so many differently marketed (i.e., differently priced) brand names, that it would be virtually impossible to try each one. You can pretty much go to any specialty store these days and find an assorted row of one type of product with prices staggered from affordable to “luxury” priced. Naturally, you see this pricing scheme throughout all the largest retailers, drug stores, grocery chains and other more common shops in your neighborhood.

Substituting is also accomplished by giving up higher priced methods of achieving a look for a lower-cost option

that yields the same results. For example, if you like your nails to be manicured properly, why not give it a go yourself, rather than paying the salon. If you get your hair colored, try one of the reputable kits you can use at home, even if you must ask a friend or other loved one to assist you. Instead of going to the gymnasium where you pay to use the walking/running track, seek out a local park or neighborhood to use free of cost. Likewise, if you have a membership in a gymnasium in order to use the equipment, see about purchasing some of your own. An alternative to paying for aerobics classes is to use a video tape; to make it more fun and challenging, put together your own small class with friends from your neighborhood or place of employment.

In lieu of blowing an entire paycheck on a designer silk outfit, find a good quality alternative in a textured synthetic that will achieve the same chic look. At home, when cooking a meal from recipes that call for expensive cuts of meat, vegetables or other ingredients, use tasty substitutes. For example, rather than using veal, maybe a lean cut of beef or pork would do, or maybe boneless chicken would work. When asparagus is out of season and therefore extra pricey, perhaps broccoli or some other green vegetable would provide the sought-after flavor and appeal. If your recipe calls for pine nuts or macadamia nuts, try substituting a more affordable nut for your dish. In sautéing with wine, use a less expensive bargain brand, since you are pretty well cooking out whatever delicate body you would seek from the wine if you were drinking it by the glass.

Most of us would love to own a shiny, new high-priced car, but the majority cannot easily afford to do so. Why not buy a used high-end model that has been well-taken care of? Or, check out some lower priced models that have the style

and appeal without the higher priced ticket? At home, instead of going broke by getting an expensive Oriental rug, visit home improvement stores and pick out one that has the pattern, texture and richness but sports a much lower price? Likewise, rich-textured, custom drapes can run into quite a few bucks, but there are always sensible alternatives, such as purchasing the fabric and getting creative by draping the material generously around your windows. Alternatively, opt for pretty curtains that complement your décor and add texture; the appeal of having just the right look adds almost as much as, but for a lot less than, the expensive drapery.

Chapter 2 – Your home

Monthly mortgage / rent, etc.

Generally, the biggest financial burden on any individual is his or her monthly mortgage or rent payment. It is what most of us consider as the first priority when attending to the handling of our monthly bills. As a rule of thumb, it is much wiser to own than to rent, as over the long term, you have paid for something, an asset that has added to your net worth. In most cases, you will also have an income tax savings during all of your peak career (and earnings) years.

There are several factors to be considered in the purchase of your home or apartment and the financing of the same. As mentioned above, I would recommend, in most cases, home ownership be considered over renting. Unless you have locked in a rental rate that is much lower than the going amount in your area, you will almost always do better to own your dwelling for several reasons.

Rather than paying every month for the next twenty or thirty years towards something you will never own, you will now make payments towards property that will eventually be yours, free and clear --- well, except for property taxes, which are also a tax write-off as is interest on a loan. This is usually the greatest way to earn equity, since the most basic need of shelter must be met in one way or another anyway, and over the long term, your property will usually appreciate. Why not own?

My recommendation to anyone who rents is to sit down with someone at a lending bank or other mortgage institution; alternatively, you can even get some useful advice from an educated local realtor. Whichever expert you choose, your goal is to find out just how much of a loan

you will qualify for. And, then I would recommend that you consider your present monthly rent (e.g., seven hundred and fifty dollars) and decide whether that amount is one you are able to live with now easily enough or whether you really need to have a lower payment than that. From there, work with the advisor (bank, or other lender, or realtor) until you come up with a monthly amount that you can handle; the factors that will determine this are the amount of the loan, the interest rate, the term (number of years) of the mortgage, property taxes and home insurance. Additionally, if you are very comfortable with the amount of your present rent and can possibly afford to pay another hundred dollars more per month, keep in mind that your tax write-off for the interest portion of your loan payment together with your property taxes may still leave you well ahead, in any event.

As you are no doubt already aware, the interest you pay on a mortgage is deductible from your federal and, usually, your state income taxes as well. For example, if your total income tax rate is twenty percent and you have paid nine thousand dollars (averaging seven hundred and fifty dollars per month) in a given year for interest and property taxes, your tax savings would be one thousand, eight hundred dollars (or one hundred and fifty dollars per month). In this way, if your total monthly mortgage and tax payment was pretty closely the same as your previous rent, you would actually have a roof over your head for as much as one hundred and fifty dollars less per month over renting.

Additionally, with cost of living adjustments, your rent no doubt increases every two to three years. However, with a fixed-rate mortgage, your monthly payment would be the same from the first month to the last month (which could be fifteen, twenty or thirty years away). As an example, let's suppose you are paying seven hundred and fifty dollars per

month in rent now. At a mere four percent per year increase in rent over the next twenty years, you would more than double your payment. Realize that four percent on top of seven hundred fifty dollars the first year would mean four percent on top of seven hundred and eighty dollars the second year, and so on, as with any other compounded calculation, by the twentieth year. Whereas your fixed-rate mortgage payment would not change, after a few years into your mortgage, you would start to notice the difference in your payments versus those of the individual who now rents the apartment you previously had that was leasing for \$750.00 but now goes for considerably more.

Take for example, Jenny, who is a single woman and has been renting for about seventeen years. She currently pays \$750.00 per month, and although this is relatively low rent, her apartment is quite small and she always runs the risk of being asked to leave and endure yet another move and with an almost definite higher price rent for similar neighborhood and apartment. On a salary of about \$40,000.00 per year, Jenny could easily afford to pay about \$750.00 per month for a mortgage payment. Since she has never owned before, she would most likely be eligible for a first-time home-owner mortgage, requiring very little or even no down payment. Even if she bought a small house or an apartment --- rare that it would be as small as her current one-bedroom apartment of about six hundred square feet --- she would begin her road to home ownership. Assuming that during the first year of her loan, ninety-five percent of the payment went towards interest, she would write off \$8,550.00 from her federal and state/local income taxes. Assuming her tax burden is twenty percent, then she would have saved \$1,710.00 during that first year in income tax obligations. With somewhat similar savings over the first five years of her loan, she would be saving about \$8,500.00. Added to that