

8 Ways to Get Out of Debt and Start Saving

By Eric Tyson

Buying your first home? Sending your last kid off to college? Or obsessing over your own personal mountain of debt, even more worrisome in this uncertain economy?

“While the situation is improving, Americans carry too much consumer debt,” says Tyson, author of *Personal Finance for Dummies*, 6th Edition. “If you have credit card debt or auto loans, take some solace in the fact that you’re far from alone and that many others have overcome these hurdles. Consumer debt is not okay, particularly in a slow economy such as this one. It can damage your personal relationships and mental well-being, not to mention the stability of your financial future.”

Here are a few tips that will help you improve your financial health:

Partake in a little self-reflection. A misaligned mindset toward spending and shopping—compulsive or otherwise—can severely affect your financial and personal well-being. If you think you might have a problem with shopping or spending, there are several questions you should ask yourself:

- Do I feel guilty about shopping?
- Is my shopping causing financial trouble?
- Is my shopping, spending, and accumulated debt leading to feelings of helplessness, anger, confusion, fear, or depression?

Make a plan and stick to it. The reason so many plans fail is that we simply state the thing we want to improve and then never create a plan for helping us get from point A to point B. Most people don’t like to plan unless we’re talking about something fun, like a vacation. But actually, planning for your financial future is a little like planning a vacation. You’re organizing your money and time so that you get to do all the great things you want when you get there. Look at it that way, and you might actually enjoy the process.

Get rid of your four-wheeled debt. Too many people define necessities by what those around them have. A brand new car is not a necessity, although some people try to make it one by saying, “I need a way to get to work.” Guess what? There are plenty of far less expensive used cars out there that will also make it to your office. If you take out an auto loan to buy a car that you really can’t afford and you take a similar approach with other consumer items you don’t truly need, you’re going to have great difficulty saving money and accomplishing your goals. Moreover, you’ll probably feel stressed all the time—which is a poor trade-off for the (short-lived) “new car smell.”

Start making your purchases based on need, not emotion. It can be easy to give in to all of those advertisements telling us how much we “need” that new car, expensive gym membership, or trendy outfit. Marketers play on insecurities, fears, and guilt and suggest that you can feel better about yourself by buying their products. You won’t be able to overcome spending and consumer debt until you recognize these pressures and how they corrupt your buying decisions.

Research before you enter the store. Prior to going shopping for necessities that aren’t everyday purchases—say, a new refrigerator—do some research first. Your research will help you identify brands, models, and so on that are good values. You don’t want to make an expensive mistake.

Watch your food budget. Dine out less and keep stock of the groceries you already have. Learn to cook if you don’t know how. Try to keep a healthy inventory of groceries at home. This will minimize trips to the store and the need to impulsively dine out because your cupboard is bare. Try to do most of your shopping through discount warehouse-type stores, which offer low prices for buying in bulk, or grocery stores that offer bulk purchases. Saving on the amount you spend on food will help you put more money toward paying off your debt and eventually setting money aside for investments.

Become more energy efficient. Check out opportunities to make your home more energy efficient. Adding insulation and weather-stripping, installing water-saving devices, and reducing use of electrical appliances can pay for themselves in short order. Many utility companies will even do a free energy review or audit of your home and suggest money-saving ideas.

Watch what you are paying for insurance. Many people overspend on insurance by carrying coverage that's unnecessary or that covers small potential losses. Coverage of small losses, such as \$100 or \$200, is not useful for most people since such a loss wouldn't be a financial catastrophe.