

(almost) Painless Spending Cuts

With the individual (Oct. 15th) tax deadlines here, it's painfully clear Americans are still hurting financially. Jobless claims are far too high if we're actually in any kind of meaningful recovery. Penalty withdrawals from 401(k) plans have been increasing, not shrinking. Mortgage rates are hitting 40-year lows with regularity and we still can't find a pulse in the housing industry. And with a Tax Storm approaching in January, people need Strategic Tax Planning NOW.

If there was a magic wand that would sharply raise incomes or reduce expenses, I'd be out there waving like mad. But that doesn't mean there aren't ways to cut and stretch. If you can afford it, give yourself some transition time to get used to spending cuts. Some will come at too steep a price in terms of your quality of life, but others may be painless. Look around, certainly there are many more you can find...and you'll never look back.

To Your Success...
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1. Know where your money goes. This is Number One in the Obvious Idea column and many people don't get it. How can you possibly know how to save money if you don't know what you spend it on? There are a growing number of online budgeting sites to help you. Use one, or do this yourself. Whatever you've been spending each month, cut it by 5 percent. Then cut it by another 5 percent the following month. Keep it up if you can, and put the savings in the bank or pay down debts. And note how much in various taxes you are NOT paying when you do not spend money.

2. Make a grocery list and don't stray. Once you've tracked household spending, you will see how much you spend at the supermarket. What's less clear is that you also probably spend a lot of money on stuff you don't need. In our house, we began downsizing our grocery spending by seeing what we were throwing out and the items that had freezer burn and should have been tossed. Our greatest savings come when we make a weekly meal plan, create a shopping list for that plan, and then buy nothing but what's on that list.

3. Trim television services. Hey, I love my cable, and millions others love their satellite dishes. But if the times demanded, I would wave goodbye to a bundle of monthly cable charges. I'd also be in mourning during football season but I'd survive. I would install a digital antenna. And I'd begin making much heavier use of free online video sites that the networks and other providers offer. Once again, when you look at those old service bills, consider how much in taxes you were paying each month.

4. Recheck insurance rates. It's easy to forget what I call "creepage" -- those annual bump-ups in premiums. They really add up after a while. And while constantly rising health insurance rates may make it seem like premiums can only move in an upward direction, that's not true. When you do shop around, you also may discover that your coverage needs have changed. If your cars are the same ones you had five years ago, for example, you probably don't need as much collision insurance as you once did.

5. Get Property taxes re-assessed. Hey, they probably are still charging you for rates posted up when the real estate market was sky high! Only your pride wants to keep those alleged property values that high on paper right now. Get those rates down to earth now!