

Most of us spend more than we need to for a lot of things. If you really can afford luxuries such as gourmet teas or designer clothing and still save for your future, you're lucky. However, if you're struggling to meet the financial goals you've set on your retirement roadmap, it's time to look for ways to cut expenses—daily, monthly, and long-term.

Start by seeing if you'd benefit from either of these big cost-cutting strategies:

- If you're paying high interest on a mortgage and you plan to stay in your home for a few years, consider refinancing. Be sure to do your homework to avoid closing costs that might make the move less attractive financially.
- Reduce your credit card debt. Call the bank and try to negotiate lower finance charges. Then pay down the debt as fast as you can, starting with the high-interest debt. (See AARP's Tip Sheet, "Managing Debt.")

It's easy to spend money without realizing how much it adds up to over a week, a month or a year. So, to make other cuts in your expenses, try reviewing what habits, like eating lunch in a restaurant every day or buying expensive clothes, can add up to in the course of a year. Here are some places to look for cuts.

Meals and Entertainment

Americans love to eat out, whether it's a daily breakfast at a pricey coffee shop or fast-food dinners when you feel too tired to cook. Keep track of where you're eating your meals and what they cost. Bringing your lunch to work and cooking your meals for dinner are good ways to reduce food expenses on a regular basis. Movie fans can save money by renting DVDs, instead of paying admission to the theater and eating that expensive popcorn.

Household and Transportation Expenses

Cable television, phone service—including your cell phone— and Internet service can add up to a tidy

sum every month. Make sure you have the most economical plans available. If you're in an area with more than one provider, comparison-shop.

Energy costs are climbing and will probably continue to do so. Do an energy review of your home. Plug up drafty windows and doors with weather-stripping, insulate them with blinds or curtains, and then turn down the winter temperature inside by a couple of degrees. Consider solar heating and cooling if it's feasible where you live. If you have central air, try to use it less. Install ceiling fans in some rooms, so you don't have to cool the entire house. During the summer months, avoid using the clothes dryer, dishwasher, etc. during peak hours to lower your energy bill.

Your biggest transportation expenses probably come from one or more vehicles. Here are some ways to cut back on those costs:

- Car-pool to work with neighbors or colleagues.
- Use public transportation.
- Talk to your insurance company about ways you can lower your rate.
- On the highway, save money on gas by driving 55 miles per hour instead of faster.

Shopping

Thoughtful planning, before you shop, is a good way to reduce expensive impulse buying. Whether you're going to the grocery store, shopping for holiday gifts, or looking for a new pair of shoes or a party outfit, make a list and decide what you can afford to spend ahead of time—and don't buy something unless you really need it.

In the supermarket, read the unit prices: is it cheaper to buy a 16-ounce box of crackers for \$3.50, or 12 ounces for \$3.10? For larger expenses such as a winter coat or a washing machine, check prices at more than one store before you make a decision. You should also check out thrift shops, especially if you know of one in an upscale neighborhood where you might get some good bargains. For Internet purchases, in addition to comparison-shopping on prices, check shipping charges. Some sites make you pay the whole cost; others will offer a deal to entice you to buy from them.

Health Care

As health care costs spiral, they become a larger part of almost everyone's budget. To minimize your costs, review what you spent on health care and insurance last year so you can make sure you choose the coverage that's best for you and your family. Whether you have a choice among plans offered by your employer, or buy your own insurance on the open market, calculate which deductible will be best for you. If you and your family are very healthy, a higher deductible will probably be the most economical choice. Also check to see if you can save health care costs by following these tips:

- See if your health insurance offers a mail-order

system for prescriptions. It might be cheaper than buying directly from the drugstore.

- Check the anniversary date of your insurance before scheduling routine medical appointments or tests. For example, your insurance may require you to wait a full calendar year between mammograms. If you schedule a mammogram even a day or two before the end of that year, the insurance may not pay for it.
- If you know you'll need several appointments or tests that are definitely not urgent, consider waiting until you choose your insurance for the next year. Then take a lower deductible so that you'll get more of the costs covered.

Luxuries and Unnecessary Expenses

It's easy to commit to expenses for goods or services that sound appealing or necessary—and then end up not getting your money's worth. If you pay for weekly housekeeping, try to cut back to twice a month. Cancel subscriptions to magazines or newspapers that are piling up without being read, or membership at the fitness club you never visit.

These and other cost-cutting tips are a few examples of how you can begin the journey toward meeting your financial goals for your retirement.

Your To-Do List:

- Analyze your personal spending.**
- Make a budget and stick to it.** Use forms at www.aarp.org/finance to create a budget and track your cash flow.
- If you're comfortable with doing financial tasks on the computer, consider purchasing budgeting software** to help keep track of your expenses.
- Ask your local electric or gas company to help you with an energy review of your home.**
- Find more cost-cutting ideas in "66 Ways to Save Money,"** by the Consumer Federation of America, www.consumerfed.org/pdfs.
- Comparison-shop** in the store and on the Internet, and use coupons.
- Before refinancing your mortgage,** read the information from the Federal Reserve Board in "A Consumer's Guide to Mortgage Refinancing," at www.consumer-guides.info/Mortgage_Refinance/.
- Make sure you take advantage of all the tax breaks coming to you,** such as the Savers' Credit for putting money into a retirement account, or property tax assistance for seniors. If you need help finding these savings, learn how AARP's Tax-Aide program may be able to help, www.aarp.org/money/taxaide/.

This and other tip sheets provide general financial information; it is not meant to substitute for, or to supersede, professional or legal advice.

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