

the million dollar mark. Some of the world's richest people bargain shop and live way below their means. Mega billionaire Warren Buffet lives in the same humble house he bought three decades ago for \$31,500 and billionaire Oprah Winfrey makes her own lunch to carry to work.

We're not saying you have to live on soda crackers and water or that you can't enjoy a martini at the bar, just that you should budget for every penny you spend. If you must have a couple beers every Friday night when liming with your friends, put that in your budget and don't spend one cent over what you've budgeted for. Plan how you are going to spend your money and spend wisely.

"Don't ask your money where it went, tell it where to go."



## MONEY MATTERS BVI

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## Can you Afford it?

“Live below your means, but within your needs,” is one of the mantras of financial guru Suze Orman. Here at Money Matters BVI we emphasize the need to budget, budget, budget. You should know where every cent you’re spending is going. And, before you spend money on anything, be it a pack of chewing gum or a house, we advise you use another Suze Orman mantra and answer the question, “can you afford it?” If it’s Wednesday and you only have six dollars left in your weekly lunch budget and you’re considering buying a pack of chewing gum for \$1.80, you really cannot afford it.

## Spending Budget

Even with all the modern technology, some financial experts advise that you use the old housewives’ budgeting system and **put all the money for your various budgets in labeled white envelopes or jars** each month. Their theory is that if you can physically see the amount in each envelope or jar and notice when it is running low, you’re more likely to be responsible, frugal and stick to your **budget**.



Gail Vaz-Oxlade the host of CNBC’s television program, *Til Debt Do Us Part*, uses this approach. The renowned financial author and columnist takes a tough-love approach to getting couples in financial crisis to face reality. She takes away all their credit cards and debit cards and gives them envelopes or jars with spending money for each budget item. In going through the financial makeover, the couples are forced to live on a strict budget and only use the allotted money in their envelopes or jars. They also find ways to cut their spending and increase their income. Some couples are on the verge of bankruptcy - others are just getting by, but are headed for disaster - either way, they all learn how to work their way out of debt while getting the skills they need to plan for their financial future by accounting for every penny they spend.

You cannot afford to spend money on non-essentials (and indulge in your tech obsession with the latest iPad) if you don’t have enough money to pay your bills or if you don’t have enough saved in your emergency fund to cover eight months of living expenses. Your spending should depend on the plans you’ve set out for your money. Vacations, car, kids and all of life’s other expenses take a big chunk out of your paycheck.

“To maximize your savings, you need to minimize your spending,” says Investopedia’s financial expert, Lisa Smith. If you spend \$5 every day on bottled water and snacks, over your lifetime you’ll lose \$73,000 of your earnings.

## Spend on what you need

Spend on what you need, rather than what you want and try to get the best deal for your money. You’ll get more satisfaction showing up at a party in a smashing dress that everyone is complimenting you on and that you bought on the street for only \$20, than from a similarly smashing \$200 boutique dress. Since we live in a small community and you don’t want to wear the same dress to every event, you won’t feel bad letting a \$20 dress hang in the closet for a while.



## Spend Stingily

If you think you have to spend like a millionaire to become one, think again. Quite the opposite is true. **Spending stingily and saving generously will make it easier for you to hit**