

## Increase your means and live within them

The basics are easy, but success calls for effort and learning to say no

**Jim Yih**

For CanWest News Service

*Monday, September 10, 2007*

Saving money is something that sounds simple but is often hard to do because it requires discipline, effort and awareness. Here are three things that may help anyone who wants to save money better.

- Small things add up: David Bach, author of *The Automatic Millionaire*, coined and trademarked the phrase "the Latte Factor." His theory is to focus on finding those small, day-to-day purchases that, when eliminated, can actually provide you with a significant sum of money.



CREDIT:  
Author David Bach

It really comes down to finding \$5 a day that can be saved and invested instead of spent. Most of us let too much money slip away and do not even realize it.

For example, we might be the person who stops by Starbucks every morning for a \$3 cup of coffee and a \$2 muffin. Or, we might be the guy who eats fast food every day, instead of bringing a bag lunch to work.

Maybe our guilty pleasure is eating out for dinner regularly because we get home too late to cook. Or we could be the gal who buys a couple bottles of water a day when it's free at the tap. Maybe you are the person who is paying \$10 a month in bank service fees when there are so many "no-fee" options.

Whatever the case, the Latte Factor brings real meaning to the saying that small things add up to big differences over time.

- Don't sweat the small stuff: At the other end of the spectrum, you might get a lot more mileage focusing on big-ticket items instead of little stuff. Saving \$5 a day for a year will save you \$1,825. However, \$1,825 is pretty small when you start to look at the two biggest expenses for Canadians -- homes and cars. Living within your means when it comes to these two expenses can make much bigger differences.

For example, buying a \$20,000 used car instead of leasing a \$40,000 new car translates to big yearly differences. Rethinking that \$25,000 renovation that's paid for on your line of credit means saving money in interest costs.

The key is to live within your means when it comes to big-ticket costs such as vacations, big-screen TVs, appliances and furniture.

The next time you are going to spend more than \$2,500 on something, think hard about how that purchase might affect your financial situation. Think about how that money may be better used for RRSPs or paying down debt.

Be aware of your expenses, but also focus on income. The Latte Factor is all about becoming wealthy on your current income. It implies that success has less to do with income and more to do with smart lifestyle choices.

Part of financial success is also to focus on generating more income, and I'm not talking about get-rich-quick schemes. The good, old-fashioned approach to making more money is hard work and education. Maybe this means figuring out what it takes to get promoted, or getting a part-time job, or starting a home-based business, or getting more education. The more money you make, the easier it may be to save.

- My two cents: Getting ahead financially also involves changing your attitude about money, changing your lifestyle and living within your means. It's about living life in balance and knowing where you are spending your hard-earned dollars. Every financial decision you make today affects your financial future, so spend wisely and save wisely.

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