

Financial spring cleaning can pay dividends

By Jeff Gorton

One lesson the average American should have learned from the recent financial crisis and gradual recovery is that putting more money into savings is, in general, good.

When things are fine, most of us are prone to commit less of our money to savings; when the economy is down, however, we realize that having money is far more important than spending it on things we don't need.

The personal savings rate in July 2005 hit an all-time low at 2 percent, according to the Bureau of Labor Statistics. But in May 2009, near the beginning of the recession, the average American's savings rate hit a high of 8 percent.

That rate dwindled as the economy recovered, which is unfortunate because you can do more with accumulated money, including benefit from investments yielding compound interest, which means that interest also earns interest in an investment.

Here are ways to trim spending in the short term in order to get your financial house in order and accumulate more money in the long term:

- Car buying says plenty about how a consumer views their money. For most Americans, the question is whether to buy new or used. The moment you drive a brand new car off the lot after the purchase, the car's value drastically drops. Many of the benefits you may enjoy in buying a new car can be had with a certified pre-owned car: low miles, good-as-new functionality and, usually, that new-car smell. And, a given model will have a history, so you can avoid cars that have

been recalled. Buying a certified pre-owned car will save you several thousands of dollars versus buying new.

- Summer vacation is an important lifestyle enhancer for many couples, but consider replacing the \$400-per-night hotel with a condo rented through a private owner, especially if your vacation will last for an extended period. A condo rental should cost you in the ballpark of \$200 per night, which totals \$2,800 savings for two weeks.

- Your home is probably your most significant asset if you're like most Americans. But with that grand house on the hill comes plenty of costs, many of which you may not need. As with a luxury car, rethinking the amount of luxury for a home can save you big on taxes, insurance and maintenance. The cost of maintaining a large home can be put toward lifestyle activities, such as travel and hobbies.

Of course, these are all simply suggestions; money plays a major role in how we achieve happiness, and I've found through years of working with clients, a few tweaks here and there frequently yields greater satisfaction with their money. You don't have to be on autopilot with your expenses.

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