

Thriving on
LESS



*Simplifying in a
tough economy.*

Leo Babauta

Thriving on Less

Simplifying in a Tough Economy

A Companion Ebook to *The Power of Less*

Copyright © 2008 - Leo Babauta

The Power of Less is available at ThePowerofLess.com

Book design : CharfishDesign.com



Table of Contents

<i>Introduction.....</i>	<i>4</i>
<i>Chapter 1 - A Simple Lifestyle.....</i>	<i>5</i>
<i>Chapter 2 - Focus on the Essentials.....</i>	<i>7</i>
<i>Chapter 3 - Thriving on Less, Not Struggling.....</i>	<i>8</i>
<i>Chapter 4 - Focusing on Enough, Not More.....</i>	<i>10</i>
<i>Chapter 5 - Make Small Financial Changes First.....</i>	<i>13</i>
<i>Chapter 6 - Look at Large Expenses for the Long Term.....</i>	<i>15</i>
<i>Chapter 7 - Changing Your Spending Habits.....</i>	<i>17</i>
<i>Chapter 8 - A Guide to Getting Out of Debt.....</i>	<i>19</i>
<i>"Debt is the worst poverty." - Thomas Fuller.....</i>	<i>19</i>
<i>Chapter 9 - Tools for a Frugal Life.....</i>	<i>22</i>
<i>Chapter 10 - Resources.....</i>	<i>27</i>



Introduction

"In the middle of difficulty lies opportunity."

- Albert Einstein

The recent economic recession has a lot of people worried, about their jobs, their businesses, their homes and their bills. When your income is dropping or in jeopardy and you still have a mountain of bills to pay, things can get pretty scary.

However, tough economic times do not have to be a time of struggles! If you look for the opportunity in the middle of difficulty, as Mr. Einstein suggested, then tough economic times become an opportunity to transform your life.

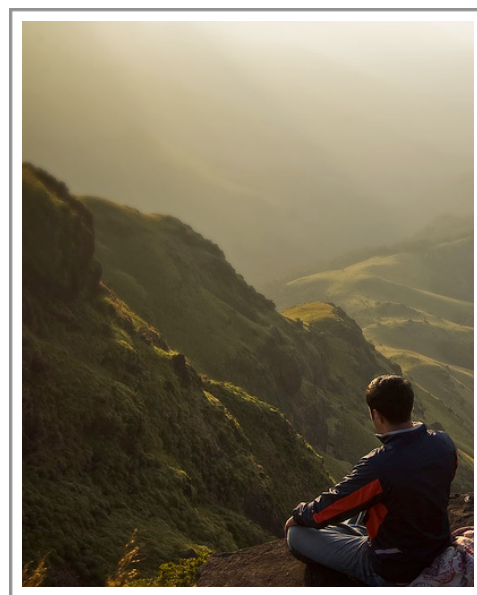
The problems of our economy stem from unchecked consumerism – people buying houses too expensive for their incomes, getting into too much debt by spending too much, living a lifestyle of more and more with the idea that things will only continue to get better. Unfortunately, this kind of consumerism is unsustainable, both at a global and a personal level. Eventually, the bills have to be paid and things will be corrected to a more sustainable level.

What does this mean for you, personally? It means that in order to survive in a tough economy, you must adjust your lifestyle to a more sustainable level. But to thrive in a tough economy, you can go even further: simplify your life to make room for the truly important. Clear away the clutter and the excess spending to make room for the essential: the people and things you love the most, that you're most passionate about.

Such a simplified lifestyle can be truly wonderful – you'll finally have time for the things you really love, for relaxation, for outdoor activities, for exercise, for reading or finding peace and quiet, for the loved ones in your life, for the things you're most passionate about. This is what it means to thrive – to live a life full of the things you want in them, and not more. To live a better quality of life without having to spend and buy and consume.

In this ebook I'll show you how to start on the road to that simple lifestyle. Even better, I'll show you how you can thrive on less, change your habits to create a more sustainable lifestyle, get out of debt, and be in a great position to live well in any economic times.

A quick note: this ebook is a companion to my print book, ***The Power of Less***, which goes into much more detail on these and other topics. While this ebook is free, I highly suggest you buy the actual book – see my website, ThePowerofLess.com, for more info, or look for it in a fine book retailer near you.



Chapter 1 - A Simple Lifestyle

"Reduce the complexity of life by eliminating the needless wants of life, and the labors of life reduce themselves."

- Edwin Way Teale

Not too many years ago, my life was full of clutter. There was the clutter of too many possessions, piled up in every corner of my home and office, bought one at a time on impulsive decisions and stacked up until I realized that I had way too much and that it was way too stressful to have so much clutter. And there was no room to ... live.



There was the clutter of too many commitments, filling up my schedule until I had no room for the things I really wanted to do, no room to accomplish my goals, no room for my family. These commitments piled up one at a time until again, I realized I had way too much and that I was way too stressed out. There was no room for the life I wanted.

There was the clutter of too much to do, too many tasks on my to-do list, too many emails to process each day, too much paperwork piling up in stacks on my desk, too many calls to take and make, too many meetings. It all piles up and you wonder how you'll ever get it all done and how you ever got so much to do.

Then I decided that too much was too much, and that I wanted to simplify. It was a long process (one that continues to this day, to a lesser extent), but over the course of weeks and months, I reduced the amount of clutter, the number of commitments, the amount of things I had to do each day. I simplified my life, and it was one of the best decisions I've ever made.

Today, things are much simpler: my desk and my home are uncluttered and serene, my life is less hectic with room for the things I love, and I am living the life I've always wanted.

It's not an incredible secret, or anything that's terribly difficult to do. Sure, it means making some tough decisions to cut things out in favor of the truly important, but if you don't cut those things out, you're still making those decisions by not taking action – you're deciding to let the unimportant fill your life so you don't have room for what you love and value. Instead, you need to take a close look at your life and make those tough decisions. You'll be happy you did.

And here's something really great about a simple lifestyle: it doesn't cost a lot of money!



If you reduce the clutter in your home, you can actually make a little money if you sell some of the stuff (donate the rest to charity). And learn not to fill your home up with clutter, and you'll be spending less on buying possessions as well.

If you simplify your schedule to make room for the things you love, you'll be running around less, you'll be less stressed, and you'll have less need for the "de-stressing" activities that many of us undertake after a long day or week of work: shopping, drinking, partying, going out to expensive entertainment, and so on. You can relax and have fun in other ways that don't cost a lot of money.

After simplifying your life, you will realize that a life full of the things you love and value does not cost a lot of money at all. Sure, you'll still have to spend on the essentials, but beyond that you'll save tons of money.

Imagine that: a truly great life that costs almost nothing. Let's find out how to get there.



Chapter 2 - Focus on the Essentials

"The ability to simplify means to eliminate the unnecessary so that the necessary may speak."
- Hans Hofmann

The first step in simplifying, and living with less, is to identify the essential – that which you want to keep in your life. Then eliminate as much of the non-essential as possible.

I go into much more detail on this process in *The Power of Less* (please buy it to read more on all these topics – see ThePowerofLess.com), but basically you want to create a Short List of 4-5 things in your life that you value most – people you love or things you're passionate about, things you want in your life. These are your essentials.



To give you an idea of what I mean, here's my Short List: spending time with my family, writing, reading and running. Those are the things I want to make room for in my life.

Action Step: Make your Short List of 4-5 essential things now. It only takes a few minutes!

Once you've identified the essential, it's time to start making room for these things, by slowly eliminating as much of the non-essential as possible. This should be a gradual process, as you can't change your life all at once. You didn't fill it up overnight, and you can't empty it out overnight either.

Start by taking a look at your schedule, your commitments, your to-do and project lists, and how you're currently spending your time. What things are not in line with the 4-5 things on your Short List? Can they be eliminated or limited? This might mean disappointing people who want you to keep commitments, but remember that it's your life, not theirs.

Once you've eliminated a good number of non-essential commitments, tasks, projects and so forth, it's important that you use this extra space in your life to focus on the essentials on your Short List. If you empty out your life only to fill it up with other unimportant things (such as watching more TV or more shopping), you've wasted your time.

Create a life that focuses on the essentials – what you value and love the most, what you're most passionate about. Start today!

For more on choosing the essentials, eliminating the non-essentials, and reducing the clutter in your life, check out my book, *The Power of Less* (see ThePowerofLess.com for more details).



Chapter 3 - Thriving on Less, Not Struggling

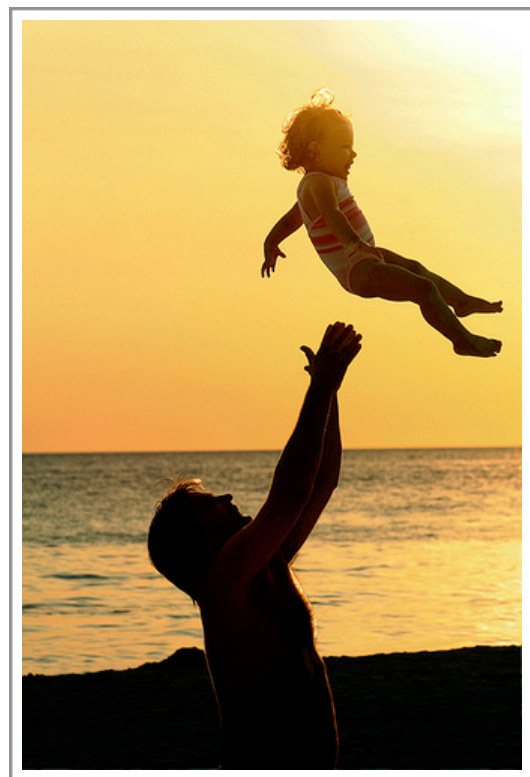
*"Who is rich? He who rejoices in his portion."
- The Talmud*

Scaling back your life and living more frugally can be seen in two ways:

1. It can be a struggle, as you are sacrificing many things and living less comfortably.
2. Or ... it can be incredible, as you are sacrificing consumerism for a life filled with the things you love, a life you've always wanted.

And it all depends on your mindset. Do you want to focus on what you are giving up, or on what you really love? I've found it to be really useful to focus on the positive, and to learn to thrive within a simple, frugal lifestyle by filling my life with things that give me joy and satisfaction.

You can live life now and enjoy it to the fullest — without destroying your future. The key to doing that? Find ways to enjoy life completely, utterly, maximally ... that don't cost your future very much.



Here are some tips for actually living that philosophy:

* **Find free or cheap pleasures.** Frugality does not have to be boring or restrictive ... if you use your imagination. Be creative and find ways to have fun — loads of it — without spending much money. Have a picnic at the park, go to the beach, do crafts, board games, fly a kite, make art, bake cookies ... I could list a hundred things, and you could come up with a few hundred more. Make a list of simple pleasures, and enjoy them to the maximum. This is the key to the whole idea of enjoying life now without spending tomorrow's dollar.

* **Make simplifying fun.** I'm a big fan of simplifying my life, and to me, it's great fun. I get rid of stuff (and possibly make money selling it) and have a blast doing it. That's good math.

* **Make people a priority.** If you give "stuff" a priority — things like gadgets, nice furnishings, nice clothes, shoes, jewelry, etc. — then you will spend a lot of money. But if you make people a priority — the people you love most, your close friends and family — you don't need to spend a dime to enjoy life. Make some time to visit with friends, or your parents ... and have a conversation with them that doesn't involve eating out or going to the movies. Just sit, have some iced tea or hot cocoa (depending on the weather), and talk. Tell jokes and laugh your heads off. Talk about books



you've read, movies you've watched, new things going on in your life, your hopes and dreams. And make time for your kids or your significant other — really spend time with them, doing things that don't cost money.

* **Find time for yourself.** Make time every day, and every week, to spend time alone. It really gives more meaning and enjoyment to your life, rather than rushing through life with no time to think, to breathe.

* **Sometimes, splurge.** You shouldn't restrict yourself from expensive pleasures all the time — it's not good to develop the feeling of deprivation. To prevent that, once in awhile, buy yourself something ... or better yet, give yourself a decadent treat. I love things with dark chocolate or berries. Crepes with ice cream and berries are one of my favorites. Just don't go overboard ... and learn to enjoy the splurge to the fullest. If you truly take the time to enjoy a treat, you don't need a lot of it.

* **Track your successes.** It doesn't really matter how you track your success ... you can use gold stars for creating a new simplifying or frugalizing habit, or a spreadsheet chart to track your decreasing debt and increasing savings or investments. Tracking is a great way to not only provide motivation, but make the process of changing fun.

* **Reward yourself.** And in order to make it more fun, celebrate every little success! Set rewards for yourself (not too expensive!) along your path to success — celebrate one day, two days, three days, a week, two weeks, three, a month ... you get the idea.

* **Volunteer.** One of the most rewarding things for my family has been when we have managed to volunteer. It's actually something we only started doing last year, but since then, we've done it a bunch of times in a number of different ways. And while it doesn't cost a dime, it is tremendously satisfying in ways that money could never buy.

* **Live in the moment.** Learn to think not so much about the past or future, but about what you are going through right now. Be present. It may seem trite, but it's the key to enjoying life to the fullest — without having to spend money. Think about it — you can spend money on eating out, but if you are not really thinking about what you're eating, you may not enjoy it much at all. But if you cook a simple but delicious meal, and really taste every bite, it can be tremendously enjoyable without costing a lot.

* **Slow down.** In the same way, you can't really enjoy life to the fullest if it's rushing past you like it's on fast forward. Ever think about how quickly a week, a month, or a year goes by? Perhaps you're in the fast lane too much. Try slowing down, and things will be less stressful and more enjoyable. (See [The Power of Less](#) for more on living slower.)

* **Learn to find cheap, cool stuff.** Call me crazy, but I love shopping at thrift stores. You can find so many cool things there, and it costs so little. Garage sales are the same way. Or check out Freecycle.com, or the library, or used bookstores.



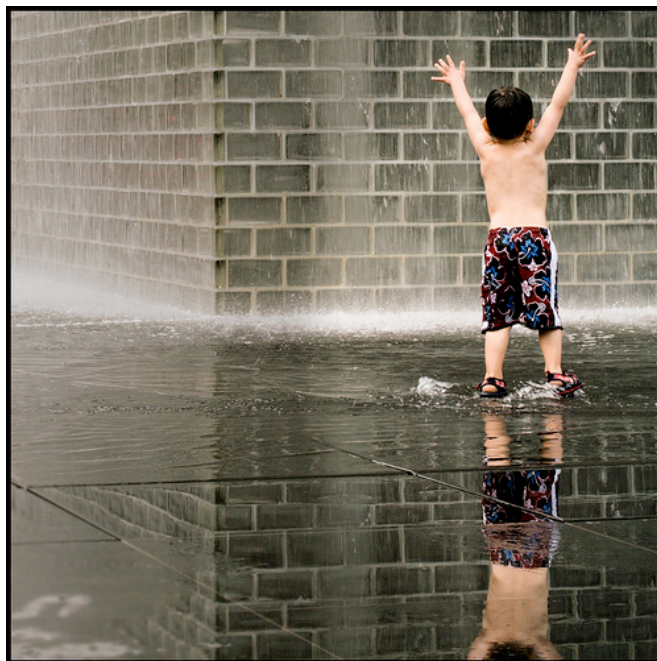
Chapter 4 - Focusing on Enough, Not More

*"Earth provides enough to satisfy every man's need, but not every man's greed."
- Mahatma Gandhi*

I think it's something that's conditioned in us from an early age, by friends, television, and the general culture: we always seem to want more.

More money, more gadgets, better furniture, a better house, a better car, more clothes, more shoes, more success.

And what happens when we get more? **We aren't satisfied**, because there are new ads for new iPods, for new laptops, for new iPhones, for new cars, for new clothes. We have to have those. It's impossible to satisfy that hunger for more, because our culture is not satisfied with what we have, but is geared to wanting more. It's consumerism, and it's the official religion of the industrialized world.



That sounds preachy, so let's move beyond that: ask yourself how much is enough, how much do you need in order to be satisfied? **I submit that the answer is that we already have enough — possibly more than enough.**

What does “enough” mean?

Enough doesn't mean the just bare necessities of life. That would be food, water, shelter and clothing. It could be a house with a bed, a table, a chair, a place for food storage and preparation, a toilet, perhaps a shower. That's not really enough.

Enough means having enough to live, and enough to be happy, and enough to thrive. For me, as I get extreme happiness from writing and blogging, I would need a computer. Perhaps I could use the public library's computer, but in any case “enough” would include some access to a computer.

For others, enough would mean the need for tools such as a notebook and pens, musical instruments, video technology, or a camera. Enough would also mean food beyond just survival food — food that makes us happy, but not so much food that we are being excessive and gorging ourselves.

Enough could include cars, if those are necessary, but for some people it wouldn't necessarily mean owning a car, especially if they don't have kids and live close enough to the things they need, such as a grocery store or work.



Enough could include watching DVDs, if that makes you happy. It could mean an iPod, if you need that to be happy.

How to find “enough” and apply it to life

Consider the following when thinking about the concept of enough, and how it applies to your life:

- 1. What are the main things that make you happy?** Are they material things, or are they people, or activities? Knowing the answer to this question can give you some insight into what material things you actually need beyond the bare necessities, in order to be happy.
- 2. What do you need to thrive?** You don't want to just survive, you want to thrive. You want to be good at what you do, and do what you love. You want to be passionate about the things you do, and be successful at them. What do you need in order to do that? How many tools or material things do you need to thrive?
- 3. What do you need to survive at a comfortable level?** You need to survive, of course, but you probably don't want to be miserable as you survive. A comfortable bed is probably important (although I've had great success with a futon, so a “comfortable bed” doesn't have to be an expensive one), but how many extra trimmings does that bed need in order to be comfortable? How nice do the sheets need to be? Examine your ideas of comfort and then see what's really necessary for that comfort. Sometimes you'll realize that only a minimum of things are needed for real comfort.
- 4. What do you have beyond those things needed for survival, comfort, happiness, and thriving?** Take a look around you, and think about everything in your home. How much of it goes beyond these things that make up the concept of “enough”? Do you really need them, or do they go beyond enough?
- 5. What do you desire that goes beyond enough — beyond what's needed for survival, comfort, happiness, and thriving?** We all want things we don't have. What are they, and are they needed to have “enough”? Why do you want them? Can you be happy, comfortable, and thriving without them? And if so, how can you give up your desire for those things?
- 6. If you didn't want to have more than enough, could you work less?** Do you really need all the income you bring in, or is much of it to support a lifestyle that includes more than enough? For example, you might have expensive cars when only one cheap, used car is enough. Or no car at all. Or you might have an expensive home when it's really more than enough. Or credit card debt from too many trips, too much shopping, too much eating out. If you didn't spend all that money, and didn't always want more than enough, perhaps you wouldn't need as much income. There are almost certainly people living happily and comfortably on a lower income than yours.



7. If you worked less, could you be happy with enough, and happier doing other things? If you didn't have to work, you might be happy with just enough. And you might enjoy working less. It's something to think about, anyway. Also think about what you would do if you didn't have to work.

The Effects of Advertising, and How to Beat It

One of the most powerful forces that makes us want more, instead of just being satisfied with enough, is the pervasive influence of advertising. It's everywhere: on television, product placement in movies and sporting events, on all our favorite websites, in magazines and newspapers, on the sides of buses, in airplanes and trains, in every event sponsored by a corporation ... you can't escape it.

Advertising works very well – advertisers have spent decades studying the effects of different techniques on the human psyche, and they know very well what works. What will make us buy something? Advertisers have a million ways, and we are almost powerless against this power. Almost.

The way to beat advertising is to escape it as much as possible. I said, just two paragraphs ago, that you can't escape advertising, but you can avoid it to some extent. You can consume less media – shut off the TV, browse fewer websites, read fewer magazines. Try to ignore advertising as much as possible. It's difficult, I know, but to the extent that you can avoid or ignore advertising, you will be lessening its power over you. And when you do that, you beat the forceful push to have more, and learn to be satisfied with enough.



Chapter 5 - Make Small Financial Changes First

*"Whoever wants to reach a distant goal must take small steps."
- Saul Bellow*

While it's important, when scaling back, to try to eliminate non-essential expenses as much as possible, you can't change everything all at once. And even if you tried, you'd be less likely to be successful – drastic changes don't stick as well as small ones do.

So start small when you start changing your financial habits. Want to save money? Cut back on eating out a bit – if you currently eat out 5 times a week, for example, try doing it only 2-3 times and save the difference. That's a great way to start.



Look for the things that are easy to change first: eating out, entertainment, non-essential purchases (magazines, shoes you don't really need, more clothes, gadgets, stuff like that), subscriptions you don't really use much, things like that. Change one at a time, maybe two at the most. Slowly start to cut things out, and you'll adjust to your new lifestyle each step of the way. In six months, you'll have a lifestyle that's scaled back greatly, but you won't feel it as much because it was small steps, one or two at a time.

Some small changes you might consider:

Cable TV. This might be a drastic change for some. I cut it out and don't miss it though. Online website subscriptions you pay for. Various services charge \$5, \$10, \$20 per month – if you're signed up to a few of them, they can add up.

Eating out. Reduce the number of times you eat out per week or month. Cook at home more. Convenience food. Microwave or pre-cooked dinners or lunches are more expensive than buying the ingredients and cooking them yourself.

Entertainment. Many people go to the movies a lot or other types of shows or entertainment. But you don't have to spend a lot of money to have fun.

Drinking. Do you go out with friends and drink a lot? That can really add up. Find healthier ways to have fun.



Driving. Consider driving less in order to save gas (and maintenance) costs.

Online shopping. It's easy to order something out of impulse. Put yourself on a 30-day freeze and try to live without buying online.

Mall shopping. Going to the mall or similar places is a guaranteed way to spend money. Stay away from these places – have fun at home, at a park or beach or trail, at a free event, at a friend's house, and so on.

Coffee. Do you buy a \$4 cup of coffee every weekday? That's \$80 a month or \$260 a year. And much more if you buy more than one cup, or buy a snack to go with it.

Magazines, newspapers or books. I'm a fan of reading, but you can read most magazines and newspapers online. And you can check out a book at a library or buy a used one for cheap.

There are, of course, many other types of smaller expenses you can change, but this list should give you some ideas. Again, don't change them all at once – small changes every couple weeks should be enough. Over time, you'll have save thousands of dollars.



Chapter 6 - Look at Large Expenses for the Long Term

*"I buy my freedom with my frugality."
- Vicki Robins*

Once you've made easier changes, you can start looking at the big expenses. These are usually the items that take up the bulk of your budget: housing, auto, utilities, food, education, depending on your circumstances ... the bigger ticket items. A change in any one of these expenses makes a big difference.

You could save hundreds of dollars a year by cutting out coffee and magazines, but you could save thousands if you had a cheaper car or house. Now, big changes like this are not so easy to make, but if you

think about them for the long term, you can accomplish them. For example, if you decide you want to move to a less expensive house or apartment, you might not be able to do that this week ... but in a few months, the opportunity to rent or buy a great place might come up and if you have your eye open for such an opportunity, you can make the move. And save thousands a year.



Some changes you might consider to lower large expenses:

Smaller house or apartment. This is probably the biggest expense for most people. For many years, a big house has been the American dream. But as we've seen recently, bigger houses aren't necessarily better if you can't afford them. They're also harder and more expensive to maintain. And the thing is, we usually don't need a big house, especially if we get rid of a lot of the clutter that necessitates more space and more storage. (See *The Power of Less* book for more on reducing clutter, at ThePowerofLess.com). Keep your eye out for smaller houses or apartments – just what you need and not more. If you can keep things simple and uncluttered, you can live happily in a smaller space and save a lot of money.

Rent rather than own. This will probably spark a huge debate, as it always does. The thing is, just don't assume that buying is the better investment. If you calculate the interest you pay on a mortgage, the cost of insurance and maintenance, buying is often much more costly than renting ... and if you rent, save money, and then invest the difference, you can actually end up well ahead in the long run. Now, it's not a given, so do a comparison, factoring in all expenses.



Smaller or less expensive car. Do you have a big SUV or expensive vehicle that costs a lot of money? They're a status symbol, to be sure, but they also cost a lot – in car payments, in gas, in maintenance. Look to trade your bigger or more expensive vehicle in and you can save a lot.

Closer location. If you currently commute a long distance to and from work, or to other places you go often, you might spend a lot of time commuting and a lot of money on gas. Consider moving somewhere closer to work (or working somewhere closer to home) to save money and time. As a bonus, you can also commute to work by bike if you live closer, saving money and burning calories at the same time.

Reduced utilities. Utilities are always a big part of the budget, but you can reduce them: be more energy and water efficient, consider dropping your home phone and just using a cell phone, and possibly getting rid of cable TV.

Cheaper food. One of the biggest expenses for some people is eating out – the the average person spends well over \$2,000 a year on eating out. Restaurants are expensive, including fast-food (not to mention the health hazards). It's much cheaper to cook your own food. Our family creates a weekly menu, then we buy the groceries, and cook dinner (and lunch) each evening. Lately I've even been prepping it in the morning, so it's a snap when we get home. If you do eat out, look for inexpensive, healthy options, and of course go somewhere nice once in awhile. For lunch, if you normally eat out at work, consider brown bagging your lunch – you can save \$1,000-2,000 a year.

Go with one car. Many families have two or more cars. Besides your house, your car is probably your most expensive item. If you can do with one, you should. My wife and I have six kids, and yet we have learned to manage with one car.

You might have other large-ticket expenses in your budget ... take a look at them and do a little thinking and research to see if you can reduce the cost somehow. If you do this gradually, one thing at a time, it won't be so difficult.



Chapter 7 - Changing Your Spending Habits

"We are what we repeatedly do. Excellence then, is not an act, but a habit."
- Aristotle

While you can cut costs here and there, the real, lasting changes won't come until you change your habits. If you currently give in to impulse purchases on a regular basis, for example, you'll still spend a lot of money despite making numerous cuts in other areas.

An important long-term strategy is to create new, sound financial habits, one at a time. See [The Power of Less](#) for more on creating new habits. Use the effective habit-change techniques in the book to change one habit at a time. Here are some important habits to form:



1. Make savings automagical. This should be your top priority, especially if you don't have a solid emergency fund yet. Make it the first bill you pay each payday, by having a set amount automatically transferred from your checking account to your savings (try an online savings account). Don't even think about this transaction — just make sure it happens, each and every payday.

2. Control your impulse spending. The biggest problem for many of us. Impulse spending, on eating out and shopping and online purchases, is a big drain on our finances, the biggest budget breaker for many, and a sure way to be in dire financial straits. The first step to controlling this habit is to monitor it and become more aware of your urges. Then create a 30-day ban on impulse buying and focus on not buying anything other than necessities for one month. After that, create a 30-day list ... anything you want to buy other than necessities goes on the list (with the date it was added) and you can't buy it until 30 days later.

3. Evaluate your expenses, and live frugally. If you've never tracked your expenses, try the One Month Challenge – track your expenses every day for a month. Then evaluate how you're spending your money, and see what you can cut out or reduce. Decide if each expense is absolutely necessary, then eliminate the unnecessary.

4. Invest in your future. If you're young, you probably don't think about retirement much. But it's important. Even if you think you can always plan for retirement later, do it now. The growth of your investments over time will be amazing if you start in your 20s – and yes, even if the market isn't great, it will recover and eventually start growing again. Start by increasing your 401(k) to the maximum of your company's match, if that's available to you. After that, the best bet is probably a



Roth IRA. Do a little research, but whatever you do, start now!

5. Keep your family secure. The first step is to save for an emergency fund, so that if anything happens, you've got the money. If you have a spouse and/or dependents, you should definitely get life insurance and make a will — as soon as possible! Also research other insurance, such as homeowner's or renter's insurance.

6. Eliminate and avoid debt. If you've got credit cards, personal loans, or other such debt, you need to start a debt elimination plan. List out your debts and arrange them in order from smallest balance at the top to largest at the bottom. Then focus on the debt at the top, putting as much as you can into it, even if it's just \$40-50 extra (more would be better). When that amount is paid off, celebrate! Then take the total amount you were paying (say \$70 minimum payment plus the \$50 extra for a total of \$120) and add that to the minimum payment of the next largest debt. Continue this process, with your extra amount snowballing as you go along, until you pay off all your debts. This could take several years, but it's a very rewarding process, and very necessary. More on debt elimination in the next chapter.

7. Use the envelope system. This is a simple system to keep track of how much money you have for spending. Let's say you set aside three amounts in your budget each payday — one for gas, one for groceries, one for eating out. Withdraw those amounts on payday, and put them in three separate envelopes. That way, you can easily track how much you have left for each of these expenses, and when you run out of money, you know it immediately. You don't overspend in these categories. If you regularly run out too fast, you may need to rethink your budget. This isn't an absolutely necessary habit, but one you might find useful.

8. Pay bills immediately, or automatically. One good habit is to pay bills as soon as they come in. Also, as much as possible, try to get your bills to be paid through automatic deduction. For those that can't, use your bank's online check system to make regular automatic payments. This way, all of your regular expenses in your budget are taken care of.

Remember to focus on one habit at a time!



Chapter 8 - A Guide to Getting Out of Debt

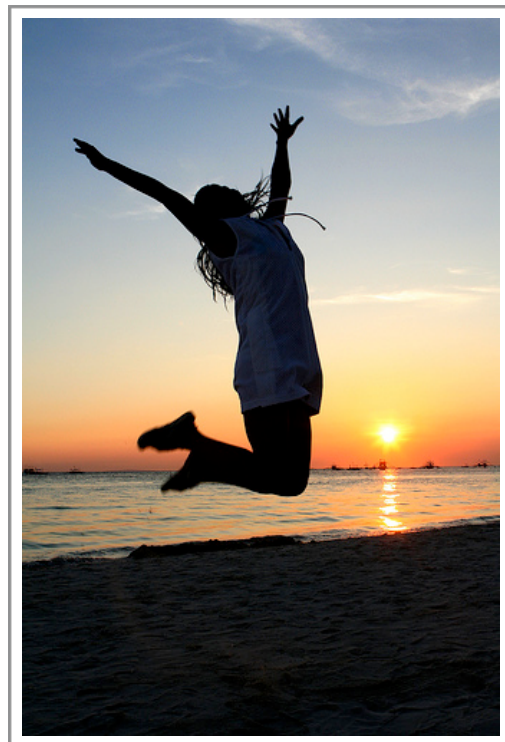
"Debt is the worst poverty."

- Thomas Fuller

It was only a few years ago when I was overloaded with debt – so much so that I couldn't make all my payments and I had numerous debts sent to several collection agencies. I had creditors calling me for late payments, and I was juggling them, constantly stressed about how I was going to make my car payment and make rent. It's hard to imagine those days now – the unbearable burden of that debt – because as of this year, I am debt free!

It's an amazingly liberating feeling to be free of debt. Your money is your own, and you have breathing room in your budget for saving, investing, and buying what you need.

But going from overwhelming debt to being debt free wasn't an instant event. It was a journey, and it meant a firm resolve, some sacrifices, and some new habits.



How I Finally Got Out of Debt

It wasn't the easiest of journeys for me, but I think because of the struggle that getting out of debt entails, the final destination is that much sweeter.

Here are the most important things that got me out of debt:

1. Canceled the credit card. This item always draws a lot of debate, but I'll say it anyway, because it's been crucial in getting myself debt free: credit cards are extremely tempting, and with the high interest, they can be downright dangerous. It is possible to use them wisely and even profit from using them ... however, most people don't use them that way, and for people like me, it's better to just cancel the card. I still had a big debt to pay on the card, but at least I wasn't using it anymore. Rule #1: If you're trying to get out of a hole, stop digging.

2. Eliminated non-essential expenses. This might seem extreme to many people, but remember: I have six kids and for awhile I wasn't making enough income to support my family. I needed to cut back. So I eliminated everything I didn't need: cable TV, most of my eating out, going to the movies (except on rare occasions), alcohol, eventually cigarettes (once I quit smoking in November 2005), buying new clothes (except when really needed), etc. I slowly re-learned what it was like to live frugally. This was also key, as it's part of the "stop digging the hole" rule.



3. The spending plan. I don't like to use the word "budget" because it strikes fear in the hearts of many readers, and blank stares in the eyes of others. Instead, I like the term "spending plan", because it conjures images of creating a plan to achieve a goal, taking action, and doing something about your problems. But basically: figure out how much you make, and consciously decide how you want to spend it this month. My plan actually budgets out each paycheck, because a monthly budget wasn't useful to me: if I only do a budget for a month, how do I know what to pay when my first paycheck comes out? I like to be more specific.

Anyway, the spending plan is essential. You have to decide where your money is going to go before you actually spend it. It was when I was spending without a plan that I got into trouble. And remember: a plan should be flexible, and have wiggle room, because life changes.

4. Cash and online bill payments. One of the reasons I had a hard time controlling my finances in the past is that I was spending left and right with no easy way to track my finances or stay within budget. I was using a credit card, debit card, checks, constant ATM withdrawals, etc. I'm not good at writing down every penny. So I devised an easier way: pay all my bills online (including debts and savings), and then withdraw all the money I need for spending categories like eating out, groceries and gas. I use the envelope system, so that I always know how much I have left in each category. Simple and fail-safe.

5. The emergency fund. I think this was one of the most important things I did. I know, it's very common advice, but it's for a good reason: without an emergency fund, your finances are at the whim of any urgent situation that comes up. Unexpected medical bill? Home repair? Car repairs? Need to travel to see your sick relative? These things will have to be paid for somehow, and if you don't have an emergency fund, you'll either go into debt to pay for them, or you'll sacrifice your debt repayment for this month to pay for it.

Without an emergency fund, it's almost impossible to get out of debt. For myself, my debt reduction didn't really start until I had saved at least a small emergency fund (shoot for \$1,000 to start with, but at least a few hundred in the beginning).

6. The debt repayment plan. I created a plan to get out of debt, using the debt snowball method. I tackled the small bills first, allowing myself to create a sense of accomplishment right away, and to free up some money to pay for the bigger bills. Although tackling the highest-interest debts first is smarter financially, the difference is small and the psychological boost of the debt snowball is huge.

7. Debt is my first bill. In the beginning, actually, saving for the emergency fund was my first bill. As soon as I got paid, I would go online, transfer money into my savings account, and only after that was done would I pay other bills and withdraw my spending cash. Once I had a \$1,000 in savings, I began making debt repayment my most important bill, and I would pay those first. Savings second. All other bills third. By paying debts and savings first, you eliminate the common problem that people have when they make savings and debt the last thing they pay: if something else comes up, there's not enough money left over for savings or debt.



8. Rewards. I am a strong believer in rewarding yourself and celebrating any accomplishment. When a debt was paid off, my wife and I would go out to dinner to celebrate. And we might do something nice for the kids. Sure, we were spending extra money, but that sense of accomplishment is important. It's a long journey, and you need to be able to look back every now and then to see how far you've come. It's very motivating, and it gets you to the finish line.

9. Increased income. Besides spending less and living more frugally, I also increased my income to make my financial situation more stable and to accelerate debt repayment. To do this, I got a full-time job (I was only doing freelancing before), and continued to do as much freelancing as possible. Then I started ZenHabits.net, and that became a steady and growing income stream. I also improved my freelancing gigs, and began to look for other ways to make money.

Why Living Frugally is Only Part of the Solution

I would not be debt-free today if I didn't learn to live frugally. If you don't stem the flow of blood, you'll never heal the wound.

But frugal living is only one component. You have to learn to get your finances under control, and to plan your spending, and to create an emergency fund. You have to learn how to motivate yourself to finish the long journey.

And one of the most important steps, as mentioned above, was increasing my income in multiple ways, in a series of steps designed to get my finances in better shape and to pay off debt faster.

Living frugal should be the first thing you do, in my opinion. It is vitally important. But it's only a part of the equation — spending less only gets you part of the way. Earning more gets you the rest of the way.

How can you increase your income? You won't do it the same way I have. Sure, anyone can create a blog, write an ebook, freelance, write a print book. And I've talked about ways to do those things in various places before. But it doesn't always work out for everyone.

The key is to find something you're passionate about, and pursue that with all of your heart. That might mean educating yourself, and learning new skills. That might mean finding mentors, and starting at the bottom. But when you're passionate about something, you're more motivated to learn and to succeed. Really pour yourself into it, and you'll find a way.

It's also important to seek new opportunities, and don't let good ones get away. If the opportunity doesn't work out, well, drop it ... but at least you gave it a shot. And who knows? One or more of those opportunities might turn into pure gold. They sure have for me, and I'm loving my life more than ever before.



Chapter 9 - Tools for a Frugal Life

*"The mechanic that would perfect his work must first sharpen his tools."
- Confucius*

With any undertaking, it's important to have the right tools. The same is true when you simplify, scale back, live more frugally and sustainably, and make room in your life for things you love.

We've already discussed several key tools.



The Short List:

- 1. Determining your essentials and eliminating the rest.**
- 2. A "thriving" mindset where you focus on what you love, not what you don't have.**
- 3. An "enough" mindset, where you realize you already have enough, and stop wanting more.**
- 4. A plan to reduce expenses, both small and large.**
- 5. Sound financial habits.**
- 6. Debt-elimination strategies.**

Beyond those tools, I'd like to share some other ideas for scaling back and living more frugally. You don't have to do all of these, but can pick and choose the ideas that appeal to you most. And don't try them all at once – do one or two at a time, and see if they work for you. Another note: some of these tools have been mentioned in previous chapters, but I thought I'd compile a more thorough list here.

Look for used first. If you need something – I mean really need it, not just want it – see if someone you know has one that they don't use or need anymore. Send out an email to family or friends, or just ask around. You might be surprised. I was about to buy a printer, and then found out my mom just bought a laser printer and didn't need her old inkjet ... saving me close to \$100. If no one you know owns one, try freecycle.org or craigslist.org. Then look to buy used, at garage sales or thrift shops. You can find a bargain if you look around.



Adopt a minimalist wardrobe. This tip won't be for everybody, but I try for a minimalist wardrobe. I generally wear jeans or casual pants, a T-shirt or Polo-type shirt, and sandals or shoes. Plain, solid colors are my favorite. Everything goes with everything else, and I don't have too many clothes. This saves me the stress of picking out an outfit, and I don't need as many clothes.

Stop online impulse buys. This was a problem for me before I canceled my credit card. I used to buy online a couple of times a week. Now I buy maybe once every couple of months, using PayPal or someone else's credit card. I'm not saying you have to go to this extreme, but realize that online buying can be way too easy (you don't even have to go to a store) and therefore, we make too many impulse buys. Buy online if you really need something and it'll save you money, but beware the impulse buy. See 30-day list tip below.

Don't shop. Don't go to the mall or other shopping area or department store to look around and shop. Go to a store if you know what you need, and then get out. Many times people go shopping, with a vague idea of what they want, and get caught up buying much more. Or they go just for fun, as a form of entertainment. That ends up costing a lot. It can really add up. Instead, stay away from shopping areas and find other ways to have fun (more below).

Use a 30-day list. To curb impulse buys, create a 30-day list. When you want to buy something, other than a true necessity (medicine or food, for example), put it on this list, with the date you added it to the list. And make it a rule that you can't buy anything for at least 30 days after you put it on the list. And stick to it. You'll find that you buy a lot less with this system.

Cut out cable. I talked about how I cut out cable earlier. It saves me money every month (in my area, about \$60, or more than \$700 a year), and also forces me to do things like read and have conversations and go outside. Win win.

Use the library. Instead of buying books, check them out. The library often also has a great selection of DVDs (depending on your area), saving you even more. Now who needs cable?

Find free entertainment. Find cheap ways to have fun. Entertainment often ends up costing a lot of money, if you go to the movies, buy concessions, or go out at night, go to the bar, etc. The average person spends about \$1,800 a year on entertainment (not including eating out). Now, I'm not saying you shouldn't have fun ... but there are cheaper ways to do it. Go on a picnic, have a day at the beach, watch a DVD and make your own popcorn, play board games, play a sport, toss a Frisbee, watch the sunset ... the possibilities are endless.

Frugal exercise. Exercise is important, but it doesn't have to cost a lot of money. Try bodyweight exercises you can do at home such as pushups, situps, pullups, squats, burpees, dips, planks and more. Do a circuit of 5 of them, rest a couple minutes, then repeat twice more – you'll get a great workout.

Stay healthy. Easier said than done, I know, but staying healthy can save you tons of money on doctor's visits, hospital bills, and medicine over the long run. An ounce of prevention, and all that. Eat healthily, and exercise. Simple and effective.



Commute by bike. Even if you own a car, commuting by bike will save you gas, and get you in shape at the same time. I highly recommend it.

Carpool or ride the bus. OK, you don't want to bike it. So find a friend or neighbor who works near you, and arrange a carpool. Or take public transportation. Simple advice, but something a lot of people ignore.

Walk. Often we drive to the corner store, or to a school that's less than a mile away. Leave a few minutes early, walk, burn some calories, and save gas.

Sell your clutter. This is not so much saving money as making it, but the frugal, simplifying cheapskate, like myself, will want to declutter and make a few bucks doing it. Hold a garage sale or sell it on eBay. It's amazing what some people will buy.

Frugal gifting. Gifts can cost a lot of money over the course of a year. Look for ways to do it cheaply. Make a gift, or give a consummable. My family enjoys getting and giving cookies, for example.

Quit smoking. Not the easiest way to save, I know. It's hard. But I did it, and so have many, many others. Not only will you save on cigarettes (which are expensive over the long run), but also associated costs (I used to buy a soda or beer to go with my cigarettes) ... and of course the huge, long-term medical costs. In less than 2 years of not smoking, I've saved well more than \$3,000.

Alcohol in moderation. If you drink one beer or a few beers a day, that adds up to big money each month. Some drink even more than that. It's expensive. If you can cut your drinking to the occasional party, and once in awhile with friends (not all the time), you'll save tons.

Sweets in moderation. Desserts and sweet snacks give us lots of calories with no nutrition. And we pay a premium price for that, in dollars and in our deteriorating health. Cut back on sweets (don't eliminate them entirely of course) to save money and cut calories.

Drink water. Often we drink lots of calories through sodas, coffee, alcohol, juices, tea, etc. And that costs a lot too. Drink water, save money, save calories.

Stay home. Becoming a homebody might not sound like a lot of fun, but it really can be. I love staying home with my family. We can do all kinds of fun things at home. Or I can spend a day alone, if the family is at school, and really enjoy it. It's quiet and peaceful, I can read or watch a good movie or respond to comments on my blog or write. Staying home can save tons, in eating out expenses, shopping expenses, gas, and incidentals.

Stop using credit cards. Credit cards are not evil. I know that they can be used to good purpose. If that's how you use them, then that's good, skip this tip. For others, credit cards make buying too easy, and end up making them buy too much. Not only that, but if you don't pay your bill in full each



month, they will cost you a lot in interest. The average American with at least 1 credit card has more than \$8,500 in credit card debt. Don't make that mistake.

Cancel subscriptions. With the wealth of information and entertainment online, do you really need magazine subscriptions? With all the news online, do you really need a newspaper subscription? If you can get DVDs for free or cheap, do you really need a Netflix subscription? I'm not saying you definitely don't need any of these — I'm just asking you to consider whether they're really essential — the answer might be yes. Also consider other subscriptions you might be paying for — I'm not saying you should cancel everything, but seriously consider whether they can be canceled without much loss of value.

Make your own. I won't go into all the possibilities here, but many times we buy things when really, we could make them ourselves for much cheaper if we get a little creative. Now, this might take a little more time and effort, but it can be fun, especially if you make it a family project. We recently made our own (very simple) bookshelves with only a couple of pieces of lumber, instead of buying them. If you don't know how to make something, search for it online. You'll most likely find some instructions.

Do it yourself. Instead of hiring someone to do something, try doing it yourself. Sure, it takes some time and effort, but it's satisfying, and of course cheaper. It's also educational, if you don't know how to do it — again, do an online search, read up on it, and give it a go. Frugality freaks are DIYers.

Stop paying interest. I mentioned the interest of credit cards, and auto loans, and mortgages. I consider them a waste of money. I've talked about how to live without credit before, and I recommend it for a frugal lifestyle. Consider any other accounts or loans where you pay interest, and see if you can eventually eliminate as much of these as possible.

Reduce convenience foods. Frozen foods, microwaveable stuff, junk food ... anything that's packaged and prepared for our convenience is not only more expensive than something you cook yourself, but also most likely less healthy. I'm not saying to eliminate these completely, but reduce consumption.

Travel frugally. I actually don't travel much, but if you do have to travel, some advance planning can save you money. Airfare is most expensive, usually, so look to buy your ticket in advance, and look for deals. Also consider train travel. Shop around for car rental rates, as they can vary greatly (or use public transportation). Look for cheaper accommodations, or stay with a friend or relative.

Cut your own hair. Again, this one isn't for everybody. Personally, I use electric clippers to shave my head. It's easy, it's cheap, it's minimalist, it's care-free. I don't worry about my hair getting messed up, or having to fix it in the morning. However, I'm not saying you should shave your head. Many people cut their own hair, in many simple but nice hairstyles, long or short. Saves money, and time.



Maintain stuff. This is a no-brainer, but we don't often think about it: if you take care of what you have, it will last longer. You'll then spend less on buying new stuff. When you buy something worth maintaining, take a few minutes to read the maintenance manual, and create a maintenance checklist that you can attach to the item. For important things like your car's oil changes or tune-ups, put them in your calendar.

Only buy bargain clothing (when you need clothes). OK, so you're a cheapskate like me who only buys clothes when the old clothes have too many arm or leg holes. But now you need new clothing. I mean really need it. So instead of buying new, look for thrift shops with good clothes. Or buy new, but only buy the stuff that's 50% off. Look for the bargains, and you'll save a ton.

Telecommute. Telecommuting doesn't necessarily give you your dream job, but it's definitely a step in the right direction. But in addition to allowing you to work in your underwear (and who doesn't have that dream?), telecommuting saves money on gas, on eating out (if you eat lunch at a restaurant), and on buying expensive work clothes.

Cook ahead. If you have one free day a week (or even a month), cook food in big batches and freeze in dinner-sized portions. I don't do this all the time, but I have done it and it saves money (buying big can often save) as well as time. You have to plan it out a bit, coming up with a menu and shopping, cooking enough meals for a week or a month. But once you're done, your meals each night (and for lunch if you like) are quick and easy. This saves you from eating out or eating convenience food when you're hungry but too tired to cook.

Wash clothes less. Some people wear clothes and then wash them, but I've gotten into the habit of wearing my clothes more than once if they're not really dirty. I use my nose as a test — I don't want to wear clothes that smell, but most times the clothes are still perfectly clean. This saves on washing.

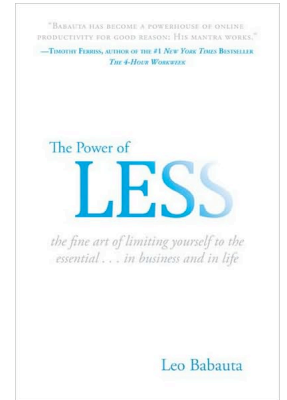
Sun-dry clothes. When my parents were young, everyone used a clothesline to dry clothes. Now dryers are ubiquitous, because they're fast. But if you don't wash a ton of clothes, it's not that hard to take a few minutes to hang them up. You'll save a lot in electricity, plus your clothes last longer.

Eat less meat. I'm not saying you have to become a vegetarian (although you could always give it a try), but once in awhile, eat meatless dishes. Pasta, vegetarian chili, vegetarian Indian or Thai dishes, falafels with hummus and pitas and tomatoes and lettuce ... there are plenty of tasty dishes without meat. And as meat is expensive (well, the fresh kind is ... Spam is cheap), you'll save money on meatless dishes. Again, I'm assuming you cook with fresh meat, not canned.



Chapter 10 - Resources

For further reading and information on the topics contained in this ebook, please buy a copy of my book, [The Power of Less](#). It contains many more tips about simplifying, setting limits, decluttering, changing habits and more.



Other resources you might find useful:

[Zen Habits](#) - This is my blog, with many articles on all of these topics and more. Be sure to start with the [Beginner's Guide to Zen Habits](#).

[Get Rich Slowly](#) - My favorite blog about personal finances and frugality, Get Rich Slowly is written by J.D. Roth with a very common sense, personal approach to budgeting, saving, investing, being frugal and more.

[The Simple Dollar](#) - Another great personal finance blog, The Simple Dollar is all about frugality and simplicity, and also full of a lot of common sense. A must read.

[Wisebread](#) - Another of the best personal finance blogs on the Internet, Wisebread has a group of excellent writers covering all range of financial topics.

[Unclutterer](#) - One of the best blogs on the Internet for articles on simple living and living an uncluttered lifestyle.

[Your Money or Your Life](#), by Joe Dominguez and Vicki Robbin - No book on money is more important. If you haven't read this book yet, you must. It's simply life transforming, and takes the way most people look at money and turns it on its head. My philosophy about money stems from this book.

[Simplify Your Life](#), by Elaine St. James - I began simplifying my life when I first read this book a decade ago, and though I've had some ups and downs, I credit my love for simplifying to this book. It's an easy read and there are some great tips in there.

