

Frugal living

Saving without sacrifice

TL;DR version:

I'm frugal because I want to give more to [charity](#). Even if you don't share my goal, I'd like to share advice that can help you achieve more of what you'd like.

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Frugality is a word that may have several meanings. It could mean not being lavish or extravagant with one's spending, or it could mean avoiding waste, or just being economical of monetary resources. I don't intend to argue for definitions, I'd like to share the best advice I've come across to help you think about using your money wisely.

Because I am passionate about giving to charities, it's useful for me to be more cautious about spending my money, not just because I have less to spend on myself but also because I can have more of my money left to give. I've been frugal most my life for various reasons; I now have an excellent reason. Regardless of why you'd like to be frugal, I want to help you succeed.

Personally I see frugality as using your money most effectively to achieve your goals. Because I don't care about television shows I can save money by skipping cable. Someone who enjoys TV too much to give it up may be pleased that Netflix or some other service can provide the same pleasure but for less money; sometimes a substitute service may even end up being a better fit!

It's always great if you can save without giving up something, but it's not always possible; in the end, it's a trade-off between different things you can do with your money. You might save by not watching TV, but be rewarded by having vacation money. Figuring out what you prefer most may be the best step towards smarter spending.

The most important principle I think everyone should be aware of is that we all have limited amount of money and thus must be discriminate about how to use it. Buying some things will bring us pleasures or allow us to accomplish some of our goals; but that spending necessarily means we'll have less financial resources to spend on other things and other goals. Figure out your goals first!

Benefits of being frugal:

- More money left over for things you really care about
- Less things to transport when moving (time and money costs)
- Less things to store when living (maintenance costs)
- Less things to worry about (psychological costs)
- Less environmental impact
- If you choose to eat less, you'll stay healthier and live longer (see: *caloric restriction*)

What follows is a list of numerous ideas and techniques. I don't use all, nor would I recommend all; but some people found each one very useful on their path to greater frugality. These are not in any particular order. Categories overlap, but it's nice to have some organization rather than none.

Psychological Principles:

- Learn some **positive psychology** (find out what makes you happy)
- Learn what type of **spending affects your happiness most**
- Wellbeing comes mostly from health & relationships, not material possessions
- We're often not in control of our wants: we are significantly affected by advertisements (and don't realize it). The reason you want something may be because someone wanted you to want it. Or you might want something because you've unintentionally joined the never-ending signaling game to show you're 'better' than others (see: *conspicuous consumption*).
- Avoid being manipulated by ads (don't look at them)
- Become more in control of your life (spend on things that matter, not on frivolous immediate pleasures the companies want you to have)
- Ask "is there an alternative way I can spend this money?" (aka: **opportunity cost**)
- Ask "do I *need* it?"
- Hedonic adaptation aka **hedonic treadmill** (e.g. getting accustomed to fancy wine doesn't make you enjoy it more in the long run, it sets a new, more expensive standard; after a few months you get no more enjoyment than you did with the cheaper wine)
- Living in America you are accustomed to a superbly lavish lifestyle; even a poor lifestyle in America will be akin to a **rich life** in many other countries, that is when compared to the majority of the world's population
- Delay purchases above \$100 by 1 day for every \$100 of cost
- Procrastinate on buying (unless you genuinely need the item)

General principles:

- 20/80 'rule' aka **Pareto principle** (it's possible that 20% of your spending gives you 80% of your pleasure/life satisfaction and 80% of your spending accomplishes only 20% of what you prefer)
- Proportions don't matter, absolute dollars do (saving \$50 on a \$10,000 purchase is as good as saving \$50 on a \$100 purchase)
- Repeated purchases add up (e.g. \$3+ coffee / day is about \$1,000 / year; at this point buying even an expensive coffee machine may be the frugal thing to do)

- Avoid big losses (e.g. traffic tickets, car accidents; it's obvious but by reminding yourself and by forming safer habits and taking safer actions will decrease your chance of such losses. Thousands of examples come to mind: locking a key in the car, forgetting an iPod in public, dropping your wallet)
- Long-term planning is better (e.g. monthly subway pass rather than daily subway pass)
- Spending hours to save pennies is not worth it (be frugal with your limited time)
- Economic efficiency – don't spend 10 hours making a trinket you can buy for \$50 (and have 10 hours for something you enjoy far more than making the thing)
- Owning less means less upkeep costs (smaller apartment, etc)
- Don't buy what you won't use often (e.g. power tools – borrow them)
- For every \$1 you save and **invest**, in 30 years at 8% growth you'll have \$10
- Take the long-term view (don't forget about your future self - a quintessentially rational act)

Specific advice:

- Shopping around for a cell phone plan that saves you \$5/month means \$120 over 2 years (3 hours spent finding such a plan means you earned \$40/hour)
- Turn down heat, wear long underwear (why heat the whole house when it's your body you care about?)
- Consider the cost of car per mile (take cost of car and add all maintenance costs you'll need for it until it's dead, divide by the number of miles you expect it to last, add cost of gas, per mile driven. You'll find it's usually no less than \$0.25/mile for even cheap new cars; used cars might need more maintenance and could cost more per mile)
- Corollary: Driving 2 extra miles to save \$0.05/gallon on gas is stupid
- Decrease your commute time (has other benefits such as a significant boost in happiness)
- Skip cable (use another service like *Hulu* or *Netflix*)
- Call your cell company and ask for a decrease in the bill (look for guides how to do this online)
- Don't get into credit card debt (always pay off credit card debt as quickly as possible)
- Don't eat out (cook at home, eating at home will be much cheaper and can be much healthier)
- Don't drink at a bar (drink at home, bar drinks are superbly expensive)
- Buy in-season veggies (cheaper, fresher, more nutritious)
- Bad idea: splurging on a fancy car (may cost you \$3,000-\$10,000 more), see *hedonic adaptation*. There are better uses for that money (\$1,000 more on a car won't give you as much pleasure as \$1,000 spent efficiently on other things). Also you'll pay more in insurance and upkeep and have more worries about it being stolen.
- Buy timeless clothes (those that don't go out of style)
- Shop in second-hand stores (e.g. you could find a \$10 jacket that was worn only a few times once cost \$200; new-looking \$3 bag that cost \$50 when new)
- Libraries (free books!)
- Budget your money (be aware where you're spending and on what; *mint.com* is an excellent tool for this)
- Consider (free or paid) music services rather than music purchases (e.g. *di.fm*)

- Make sure to cover all necessary payments first with money you earn, before you start spending on non-essentials.
- If you're impulsive, consider only using cash, withdrawing per-week only what you think is acceptable to spend; leave your credit cards at home.

Websites:

A short list of websites that can save you money.

- Craigslist.org
- Freecycle.org
- Couchsurfing.org
- Swap.com
- Mint.com
- NeighborGoods.net
- Airbnb.com
- Hulu.com
- Netflix.com

Miscellaneous:

- Being frugal is easier to start when young
- There is a philosophic tradition of stoicism and asceticism that fits with a frugal lifestyle
- Some people claim to dislike work, but then spend money on useless things; another option is to spend less so you can work less (and have more free time for things you really like)

Sticking to your goals:

Even if you resolve to be frugal, it's now a matter of putting your desires and goals into practice; for that you need a set of tricks to refrain from compulsive or impulsive spending.

- Avoid looking at advertisements
- Don't go into a store without a clear idea of what you need
- Don't shop for food on a hungry stomach
- Make it a habit (habits take time to form, a good guess is it takes between 30 and 60 days)
- Make absolute rules (e.g. "I will not spend more than \$X on habit Y")
- Make flexible rules (e.g. "every time I refrain from buying X, I have more money for Y")
- Remind yourself about avoiding big losses (e.g. "driving faster can get me an expensive ticket")
- Remind yourself of what you really care about (e.g. "With every \$1 I save, I can donate to a cost-effective charity like SCI and [cure a child of parasitic worms](#)")