

PENNY WISE, POUND FOOLISH

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Have you ever heard the expression “Penny Wise, Pound Foolish”? It is referring to someone that is so frugal that they won’t spend a little bit of money in order to save themselves more money in the long run; or perhaps they feel like they can’t squeeze any more into their budget so they forgo important expenditures.

Some examples of this would include...

1. **Routine Maintenance.** Spending a small amount to maintain the things you already have will payoff when you don’t have to spend a lot of money to replace those things completely. For example, if you don’t get your oil changed regularly your engine will go bad sooner. Replacing your engine all together can run into quite a bit of money as well as buying a different car if you don’t fix the one you have. One way to justify the expense right now is to remember that proper maintenance really pays for itself. Keeping your oil changed and your tires properly inflated will get you better gas mileage.
2. **Avoiding the Doctor/Dentist.** My husband had not gone to the dentist in years when his teeth starting hurting him. He had to have a tooth pulled via emergency extraction and now undergoes deep gum cleanings every 3-4 months. Even though we have insurance, we have to pay a portion of those “deep” cleanings, but his regular 6 month checkups are covered at 100%. He could have gone every 6 months and it wouldn’t have cost a dime, but because he didn’t go it has cost much more than a dime.
3. **Not taking advantage of a Flex Account.** This is one I run into quite a bit with my clients. They will say that they don’t take advantage of their flex accounts because they need the money in their pocket to pay bills. If you are going to pay \$100/month in doctor/dentist bills, why not take advantage of the tax savings by putting into the flex account. You are actually costing yourself more by paying taxes on that money to receive it in your paycheck.
4. **Ignoring Insurance or picking it by the premium.** If you don’t have insurance or don’t feel like you can afford insurance imagine what you would do if you ended up in a car accident, had a medical emergency or your house/apartment burnt down. Similarly if you have insurance, but just pick the one with the cheapest premium, you may end up paying much more over time if you have regular prescriptions or doctor visits that cost you more as a result of the cheaper insurance.
5. **Saving 15% by using your credit card today, but paying 20%+ in interest and carrying a balance.** Have you ever gone to the store and they say if you use your

store card today, we'll give you 15% off. This may sound like a good deal, and it is as long as you pay the card off before any interest accrues. If you pay the balance off over the course of a few months, the interest that accrues on it eats into your savings and could possibly end up costing you more than you saved.

Believe me I know how hard it is to think of paying for these things. I too find myself trying to put off some of this stuff in order to save a little money, but I end up talking myself through the bigger picture and know that I cannot put these off otherwise I'll be trying to budget for more later on. For me, I try to give up one family meal out to pay for an oil change. Try to think if there's anything you can give up for a month in order to protect yourself from having to give it up for years.