

Living Rich by Spending Smart – A Review

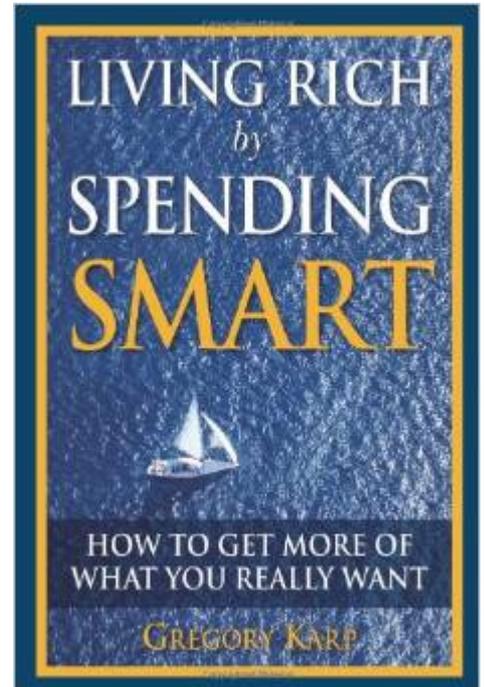
A reader recommended Gregory Karp's [Living Rich by Spending Smart](#) to me. It is a great read and very useful for anyone having trouble saving 20%+ of their gross income. I cannot recommend the introduction and second chapter more highly. Unless your main financial issue is overcoming your cheapskate ways, you need to read those. Here are some gems that explain the book's philosophy:



Spending smart is the only way to get out of debt and build wealth....It's like calories are the key to a weight-loss diet...A diet to lose weight only works if you burn more calories than you consume. Everything else is just window dressing and hype. In fact, controlling spending is far more important than the amount of your debt, which investments you choose, or even how much you earn...The truth is, you can't outearn dumb spending

America's real millionaires—not those who just look the part—care about their spending...I like to think The Millionaire Next Door proved the philosophy and this book provides the details.

What you need are both overall strategies and specific ways to reduce spending. It's stuff you could probably research and figure out for yourself, if only you had unlimited time and access to the nation's leading experts...But you don't have that time. So, you bought this book instead. With this book, you won't have to figure out for yourself which contradictory tips are true about saving money with home heating and cooling, for example. This book will just tell you. It will say, flat out, "This is right. This is wrong." This book won't give you dozens of dopey ideas on saving a few pennies here and there—no tips on making your own laundry detergent or reusing dryer lint. We'll cut to the chase and whack out the biggest offenders of wasteful spending and highlight the easiest cost cuts to make.



The Most Important Paragraphs in the Book

The most important message from the book is best summed up with these paragraphs:

Spending Smart is not a "live cheap, die loaded" plan or some exercise in fiscal anorexia. Diets don't work if you're constantly hungry. And a plan to cut spending won't work if you have to say no to buying things you really want. The goal is to reallocate spending to satisfy all your needs and many of your wants. You do that by plugging the leaks of wasteful spending and forcing your dollars to go where you want them to. It's about spending on purpose rather than by accident and habit.

Save money by spending on what you care about. That short

sentence encompasses a philosophy that will help you not only spend less but also get more satisfaction from the money you spend. You do that by training yourself to measure your own psychological income, or the nonfunctional benefit from a purchase, especially a name-brand purchase. It represents how the product or service makes you feel. On the surface, that concept might seem hokey. But it pervades the American consumer's life and is well-established in the world of marketing. Often the term psychological income refers to supplementing job income. For example, a social worker's income is paid in dollars, plus the satisfaction of helping people.

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But psychological income applies to spending too. It's probably most obvious in car buying. All reasonably reliable automobiles will get you from home to work, for example. That's the functional component of the buying decision. Some will get you to work in more comfort, with a smoother ride, superior handling, an upgraded audio system, and better heating and air conditioning. Those are real benefits that apply to everyone buying that vehicle.

But you might derive yet another benefit, a psychological one, that comes from driving a BMW, Mercedes, Lexus, or other high-end vehicle. It could make you feel a sense of accomplishment because you have reached a level of wealth to afford it. Or it might make you feel better about

yourself, even superior to other drivers. Buying a jeep might make you feel adventurous. Buying a Volvo might make you feel safe. Buying a hybrid gas-electric car might make you feel like an environmentalist.

Other car buyers don't get a psychological benefit from a car purchase. They just want a vehicle to get them to and from work. It would be a total waste of money for them to buy a luxury car. So psychological income is highly individual...

Consumers with a limited income—which includes most everyone—have to make trade-off decisions and can't afford to buy top quality for every purchase. The point is to spend more when you care more. If you don't care so much, choose functional brands. It can save real money and lead to more satisfaction because your money is going toward expenses you care most about.

Tips for Spending Smart

The remainder of the book (outside of the introduction, second chapter, and conclusion) is composed of tips, one per paragraph, to help you spend smart and save money. The first chapter explains how to cut down on the “big three repeat offenders”—food, insurance, and telecommunications. I liked the explanation of how to save money on food:

The first part of the strategy is keeping a price list, a simple notebook of prices on items you buy regularly. Then you'll know when something is on sale. You won't have to take the supermarket's word for it...The second part of the strategy is...[that] you don't go shopping every week for what you need. Instead, you go to buy what's on sale that week. Then you load your pantry and freezer with sale-priced foods...for most people, stockpiling alone could save them 20 percent on the cost of food and nonfood items at the supermarket.

Here's a blog post about [shopping at warehouse stores](#) that discusses similar ideas.

The third chapter talks about the author's pet peeves. Basically, don't buy bottled water, consumer warranties, and timeshares. At all. Don't smoke. Buy inkjet printer cartridges online. Avoid buying brand new college textbooks. Don't buy hybrid cars to save money and make your own gift cards.

The fourth chapter is very good as well. It talks about how to shop- comparison shopping, how to manage a windfall, how to shop online, and perhaps most importantly, when to buy used and when to buy new.

The price difference between buying used and buying new must be large enough to compensate you for taking on [more] risk. Quickly depreciating items can be the best bargains...Some items are functionally no different used than new. Avoid items with short life spans...The shorter [the time period you'll use the item], the better deal it is to buy used...Avoid buying new if you're unsure about whether or not you'll get a lot of use from the item...If an items aesthetic appeal is low on the list of priorities, it might be a good candidate for buying used...The fewer moving parts, the better when buying used.

I got bogged down a bit in the fifth chapter, which discusses countless ways to save money "around the house." There's lots of good stuff in there; there just happens to be a lot of stuff in there. The sixth chapter won't contain a lot of new information for the typical WCI reader-it's all about saving money on your financial services.

The seventh chapter tells you how to save money on holidays, birthdays, weddings, amusement parks, and filing taxes. The eighth chapter tells you how to purchase the big items- cars, weddings, divorces, funerals, and houses.

The conclusion appropriately emphasizes the well-known data that shows buying experiences brings you a lot more happiness than buying stuff. It advises you to get the most out of your experience dollars by setting goals, including others, and avoiding overspending.

The book is perhaps the best primer I have yet read on spending smarter. It isn't a book any of us can sit down and read cover to cover without feeling at least a little overwhelmed, but digested over a couple of weeks, and discussed with your spouse, it is likely to get your spending under control in a hurry.

[Purchase Living Rich by Spending Smart on Amazon today!](#)

Have you read the book? What did you think? What is your best smart spending tip? Comment below!