One way to practice being money smart at home

Start with food. That sounds easy. Everybody eats, right?

What happens as you steer your cart down the aisles of the grocery store? You see something that looks good – granola bars that taste like s’mores. Great! Throw a couple boxes in the cart. Ooh, and ketchup’s on sale. Grab three bottles. What would life be without ketchup? And there are those new jalapeno-cheddar-and-garlic chips you’ve been wanting to try. You scoop up a few bags and dump them in the cart. And soda, don’t forget the soda. They’re four packs for $10.00 – a real steal.

Time out... Forget for a moment that you have half a cartful of stuff, and not a single nutrient in sight. Let’s just look at cost.

- $6.98 for two boxes of granola bars.
- $6.75 for three bottles of ketchup.
- $8.69 for two bags of chips.
- $10.00 for soda.

Okay you math whizzes, what’s the total? $32.42.

Now consider this: you’re up past $30, and you haven’t bought anything like meat, eggs, milk, cereal, veggies, or fruit – you know, real food that keeps the family going.

How much does your family spend on groceries a week? I bet you don’t know. Could you guess? Take the What’s It Cost? quiz to see how good you are at estimating prices.

Spending on impulse

If you just go up and down the aisles, buying on impulse – you see an item, it looks good, you throw it in the cart – you can really run up a bill. Under this system, you just spend until you get to the checkout. Then you pay what you owe and load it into the car.

Well, that’s fine if you have unlimited funds, but few of us do. When you buy on impulse, you spend more than you should, and you buy stuff you don’t really need. You’re not controlling your money. You’re surrendering it to cool-looking packages, juice bottles with sports stars on the labels, and cereal boxes that promise great gadgets.

Spending your way through life

Some people go through life just the way they go through the grocery store. If the item’s been advertised, if it looks cool, and they want it at that moment, they buy it — often before they consider if they need it, if it’s worth the price, or even if they will really use it. These are the people with monster credit card debt and little savings. They can never quite figure out why they’re always broke. There is another way to handle money. To find out more, take The Grocery Challenge on the back.

What’s it cost?

Test your pricing smarts. Estimate the cost of everyday things. Then add them up.

Family size ketchup: $__________
3 pounds hamburger: $__________
3 frozen pizzas: $__________
2 gallons of fruit juice: $__________
Big bag of pretzels: $__________
1 gallon of ice cream: $__________
6 sports drinks: $__________
1.5 pounds of lunch meat: $__________
2 loaves of bread: $__________
1 jar of peanut butter: $__________
4 rolls of toilet paper: $__________

TOTAL EXPENSES: $__________
Playing The Grocery Challenge encourages young people to stop and think before they spend – a habit best started when kids are young, so they avoid putting themselves at risk later in life. The sad fact is that buyers don’t think enough before they buy. Look at the numbers--

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Fast facts for parents

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- When lending rates hit all-time lows, instead of using lower rates to save money, people spent more. As one economist described it, “If you cut interest rates, I’ll get a bigger car.”
- Experts’ warnings are dire: When the nation’s debt bubble bursts, it has the potential to “dwarf” the bursting of the US stock market bubble in 2000.’

The object of the game

Know the basic amount. The Challenge shows that money is limited, and you have to make choices. Now you know the basic cost of feeding your family for a week. Sure, the amount may change a little depending on whether you buy hamburger or pork chops, but the number should stay pretty much same, give or take $10.

Add a few non-essentials. Once you know about how much you spend for basics, you can add some non-essentials: soda, chips, pizza, ice cream bars. You’re creating a new target total, the number you aim for as you shop in the upcoming weeks. And you know what? You’ll be spending less. How much less?

Count up the savings. Compare your new target total to the old grocery receipts, and subtract. Now multiply the savings by 4 to find what you save in a month. Multiply that number by 12 to see what you save in a year. Suddenly you’ve got money to do other things with!

The Mint

Learn more about handling money at themint.org

# Justin Lahart, Spending our way to disaster, money.cnn.com, October 3, 2003.

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