

SMALL EXPENSES, BIG IMPACT: IDENTIFYING YOUR BUDGET BUSTING SMALL EXPENSES

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HAVE YOU LOOKED AT YOUR BANK ACCOUNT AND WONDERED, "WHERE DID ALL MY MONEY GO?"

Major expenses such as new tires or unexpected medical visits are not the only expenses that drain our bank accounts or empty our wallets. Instead, other expenses such as eating out, a subscription service we forgot to cancel, or a fancy coffee drink are small expense leaks that over time become major drains on our finances. These budget-busting small expenses have a way of sneaking up on us and wreaking havoc on our best budget plans while jeopardizing our financial goals.

This publication has been designed to help you better understand:

- the impact budget-busting small expenses can have on your budget
- the opportunity costs of those expenses (we'll explain that later)
- how to identify budget leaks

IMPORTANT POINT!

Everyone enjoys a meal out now and then, and a special coffee drink may be the pick-me-up you need to make it through a tough day.

No one is saying such expenses are "bad" or you should never treat yourself, your family, or your children. What is important, however, is you are aware of budget-busting small expenses and the cumulative impact these expenses can have on your finances over time.

Enjoy treats – just be aware of your spending and budget accordingly.



SMALL EXPENSES, BIG IMPACTS

The chart below lists some common budget-busting small expenses and their average costs. The columns that follow help you see how these expenses can add up on a monthly and yearly basis.

| Expense | Estimated Cost | Estimated Monthly Cost | Estimated Yearly Cost |
|----------------------------|--------------------------------|------------------------|-----------------------|
| Cigarettes | \$7 (1 pack/day) | \$210 | \$2,520 |
| Happy Hour with Friends | \$35 (weekly) | \$140 | \$1,680 |
| Lunch Out | \$15 (weekly) | \$60 | \$720 |
| Meal Subscription Service | \$60 (weekly service for 2) | \$240 | \$2,880 |
| Scratch Off Lottery Ticket | \$6 (3 tickets/week) | \$24 | \$288 |
| Specialty Coffee drink | \$27.50 (5 coffees/week) | \$110 | \$1,320 |
| Streaming Services | \$48 (monthly) | \$48 | \$576 |
| Unused Gym Membership | \$30 (monthly) | \$30 | \$360 |
| Vape Pods | \$20 (weekly) | \$80 | \$960 |

Prices based on prevailing average prices in United States.

OPPORTUNITY COST

Opportunity cost – such a big, fancy term, but what does it really mean?

Opportunity cost is a term used in personal finance to describe everything else you could have done with the money you spent on a particular item or service.

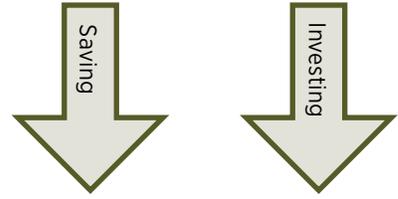
In our example above, the estimated cost of several streaming services was \$48 per month. When we do the math, we see this \$48 monthly expense adds up to almost \$600 (\$576) a year. The opportunity cost would be everything else you could do with that \$48 a month or \$600 a year.

Think about it. What could you do with an extra \$600 a year?

In the box below, brainstorm some ideas of how you could use \$600. The ideas you come up with are the opportunity costs.

Something you might do with the money you save from your budget-busting small expenses is to add that money to a savings account or to invest that money over the long-term.

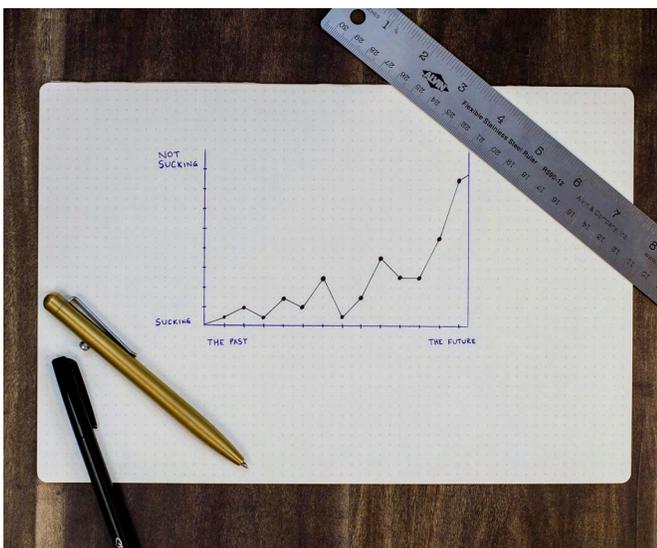
Let's see how our budget-busting small expenses would grow if we added them to savings or invested them for 10 years.



| Expense | Estimated Cost | Estimated Monthly Cost | Estimated Yearly Cost | Saving 1 year at 0.5% | Investing 10 years at 10% |
|----------------------------|--------------------------------|------------------------|-----------------------|-----------------------|---------------------------|
| Cigarettes | \$7 (1 pack/day) | \$210 | \$2,520 | \$2,526 | \$40,165 |
| Happy Hour with Friends | \$35 (weekly) | \$140 | \$1,680 | \$1,684 | \$26,778 |
| Lunch Out | \$15 (weekly) | \$60 | \$720 | \$722 | \$11,478 |
| Meal Subscription Service | \$60 (weekly service for 2) | \$240 | \$2,880 | \$2,887 | \$45,902 |
| Scratch Off Lottery Ticket | \$6 (3 tickets/week) | \$24 | \$288 | \$289 | \$4,593 |
| Specialty Coffee drink | \$27.50 (5 coffees/week) | \$110 | \$1,320 | \$1,323 | \$21,040 |
| Streaming Services | \$48 (monthly) | \$48 | \$576 | \$577 | \$9,183 |
| Unused Gym Membership | \$30 (monthly) | \$30 | \$360 | \$361 | \$5,740 |
| Vape Pods | \$20 (weekly) | \$80 | \$960 | \$962 | \$15,303 |

The calculations above are estimates for educational purposes only. Investing carries risk. If professional assistance is required, the services of a competent professional should be sought.

To be honest, you are probably not going to get rich just by saving or investing the money you would have spent on budget-busting small expenses. But you would have additional money – money that could be used to make ends meet or money that could be used for something special like an unexpected gift for your partner or children or a family trip to a memorable location.



IDENTIFYING YOUR BUDGET-BUSTING SMALL EXPENSES

Almost everyone and almost every family has their own budget-busting small expenses. So, how do you identify your budgeting-busting small expenses?

One of the best ways is to track your spending over a specific period of time – for a week, a month, or a year.

You can use UT Extension Publication [W-1018-A, Track Your Spending](#) to help you develop a system to track your expenses.

Once you have identified your budget-busting small expenses, you can use the template below to help you understand the impact of those expenses over time.

| Expense | Estimated Cost | Estimated Monthly Cost | Estimated Yearly Cost |
|---------|----------------|------------------------|-----------------------|
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FINAL THOUGHTS

Budget-busting small expenses don't have to break your bank or derail your money goals. Once you are able to identify these expenses and understand their opportunity costs, you can keep them in check and under control.

If you would like to learn more about how you can manage your money including tips for saving and/or reducing debt, reach out to your local UT Extension Office. There is a location in every county. Real life money saving strategies are just a phone call, email, or visit away.

Find your local UT Extension Family and Consumer Sciences Agent on the [UT Extension Office Locations, Departments, and Centers](#) website.



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