

12 SIMPLE COSTS TO CUT FOR \$12,000 ANNUAL SAVINGS



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INTRODUCTION

It's shocking how much we spend on "invisible" expenses. These are costs we don't think about, but which add up to surprising sums over time – sums in the five digits every year and in the six digits when compounded over 10 years. And over 30 years? If you cut these expenses and invest the money in an [index fund](#) instead, it's enough to make you a multi-millionaire.

But these costs are only as dangerous as they are unseen. Pull them from the shadows into the uncomfortable light of scrutiny, and they become easy to eliminate. If you want to build real wealth, you don't need a six-figure salary. What you need is a clear budget and the discipline to track every single expense so that you can plug the hidden leaks.

Here are 12 of the most common hidden expenses in your budget and exactly how much they cost you every year. (Potential earnings represent how much you can accrue over 10 years by investing the money saved on each expense in an index fund earning 9.8% – the [long-term average return of the S&P 500](#).)

1. SODA & OTHER SWEETENED BEVERAGES



Americans blow a shocking amount of money every year on sweetened beverages. These beverages make up the second-highest grocery expense, at 9.3% of grocery spending, among recipients of Supplemental Nutrition Assistance Program (SNAP), better known as food stamps.

But sodas and other sweetened beverages are not a vice of low-income families alone. According to a [study by the U.S. Department of Agriculture \(USDA\)](#), families not participating in the SNAP program still spend 7.1% of their grocery bill on sweetened beverages. That comes to an average annual expense of \$2,238.80.

The worst part is that we don't even realize this because we lump these purchases under the wholesome-sounding "groceries" label on our budgets. Stop drinking sodas and other sweetened beverages, and not only are you [far less likely to develop diabetes](#), but you'll also save thousands of dollars every year.

While you're at it, look for other [ways to save on your grocery bill](#) to supercharge your savings.

Annual Cost: \$2,238.80

Potential Earnings Over 10 Years: \$36,901.55

2. BOTTLED WATER



If you were to guess, how many times more expensive would you estimate that bottled water is compared to tap water? Ten times? Fifty times?

According to [Business Insider's calculation](#), bottled water is roughly 2,000 times more expensive than tap water. The bottled water industry even has its own trade group, the International Bottled Water Association, which is quick to brag that [bottled water is a \\$16 billion industry in the United States](#).

By [The Water Project's estimate](#), American households consume around \$100 worth of bottled water per person, per year. That means that a family of four spends \$400 per year on bottled water when they could be spending pennies on tap water instead. Yes, bottled water is a far healthier beverage choice than sodas or sweetened iced teas, but so is tap water.

Annual Cost: \$400

Potential Earnings Over 10 Years: \$6,592.32

3. WASTED & EXPIRED FOOD



I'm guilty of this one myself. Most of us are.

The [USDA](#) estimates that 31% of food is lost every year to waste at the consumer level. That adds up to 133 billion pounds of food, costing \$161 billion annually, thrown into landfills. It's saddening, sickening, and largely preventable.

One tactic I've adopted over the last year is planning my meals every weekend for the following week. My wife and I agree on who's cooking what, on which night, and then plan our grocery list around that schedule. Our aim is only to buy what we know we'll cook in any given week. And while some staples are [worth buying in bulk at warehouse stores](#), many [items should not be bought in bulk](#).

According to the [Bureau of Labor Statistics \(BLS\)](#), the average American household spends \$4,121 annually on groceries. At a waste rate of 31%, that means the average household throws away \$1,277.51 worth of food every year.

Annual Cost: \$1,277.51

Potential Earnings Over 10 Years: \$21,056.65

4. WORK LUNCHES OUT



The average U.S. employee spends an average of \$53 per week on workday lunches, according to [USA Today](#). Why do lunches average nearly \$11 per meal for American workers? Because they're ordering the majority of their lunches out, whether at restaurants, fast food joints, or for takeout or delivery.

You can [save money by bringing lunch from home](#). It doesn't to be the same monotonous brown bag lunch every day; try these [ideas to spice up your packed lunches](#). My wife and I aim to cook a large enough portion of our dinners that we have leftovers for our lunches the next day. It's a strategy that's worked well for us and helped us save considerable money over the last year. Also, restaurant meals are not only far more expensive, but [they're also far less healthy](#).

At an average cost of \$3 per home-prepped lunch, you'll spend \$15 per week on lunches rather than \$53. That's a savings of \$38 per week, or \$1,976 per year.

Annual Cost: \$1,976

Potential Earnings Over 10 Years: \$32,569.97

5. COFFEE SHOP COFFEE



A daily coffee habit isn't inherently evil or expensive, but it adds up quickly when you buy that coffee from a coffee shop rather than brewing it at home or the office.

A "grande" (medium-size) latte at Starbucks [costs about \\$3.65](#). When brewed at home, the same Starbucks coffee [costs \\$0.27 per cup](#). That means you pay 13.5 times more to get that coffee on the run.

A coffee drinker who buys one cup out every workday spends \$18.25 per week. The same coffee consumption by someone who brews at home or work costs only \$1.35 per week. That comes to \$949 per year for the coffee-shop consumer versus only \$70.20 per year for the home-brewer.

And yes, you can [make gourmet coffee at home](#).

Annual Cost Difference: \$878.80

Potential Earnings Over 10 Years: \$14,484.11

6. TOBACCO



Once again, better health and better finances go hand in hand here. Before breaking down the [financial benefits of quitting smoking](#), it's worth a moment to cite a few facts courtesy of the [Centers for Disease Control](#):

- Cigarette smoking causes nearly one in five deaths (480,000 total) in the United States every year.
- More than 10 times the number of Americans have died prematurely from smoking than in all U.S. wars combined.
- Smoking kills more Americans every year than guns, car accidents, drugs, HIV, and alcohol *combined*.

Then there are the financial costs. According to [SmokeFree.gov](#), the average cost of a pack of cigarettes in the United States is \$6.28. For a pack-a-day smoker, that comes to \$2,292 per year. Can you think of a few things you'd rather spend \$2,292 per year on?

Annual Cost: \$2,292

Potential Earnings Over 10 Years: \$37,777.76

7. CABLE TV



I love a great TV series as much as the next guy. But that doesn't mean I need to blow over \$100 every month on cable. As [Bloomberg](#) reports, the average cable TV subscription in the United States costs \$106.20 per month. That's 13.3 times higher than a Netflix subscription, which is \$7.99 per month.

There are also plenty of [non-financial reasons to stop watching TV](#). The average American adult watches over five hours of television every day, according to [The New York Times](#). That's not healthy physically, emotionally, or financially. Cut the cord, and instead of blowing five hours every day on television, try making some extra money with one of these [side hustle ideas](#).

Annual Cost: \$1,274.40

Potential Earnings Over 10 Years: \$21,005.22

8. LANDLINE HOME PHONE SERVICE



Do you really need a landline?

I haven't paid for a landline since moving out of my mother's house in 2003. Between mobile phones and Skype, I don't miss corded phones one bit. Besides, no one wants wires strewn all over their home, tripping their aging parents when they come to visit and cluttering up the house.

The [BLS](#) puts average annual landline cost at \$353, which is among the smallest cost on this list. But landlines are also among the least useful items on this list. If you're that worried about giving up your landline, read up on the many [alternatives to landlines](#) to help ease your concerns.

Annual Cost: \$353

Potential Earnings Over 10 Years: \$5,818.96

9. UNUSED GYM MEMBERSHIPS



I am a deep believer in the power of exercise to improve your quality of life. Not only do I physically feel better by working out every day, but it also makes me feel more positive and even-keeled emotionally. If you're not using your gym membership, however, it's wasted money.

Sadly, that's the case for two-thirds of gym members. According to a [USA Today report](#), 67% of gym members never actually go to the gym. The same report lists the average gym membership cost at around \$60 per month, though many gyms charge over \$100 per month.

If you haven't gone to the gym in the last month, call your gym right now to cancel your membership. Yes, working out more is a worthy goal. But you can start with [free home workouts](#), and after you establish a track record of working out at your target rate, then you can rejoin a gym if you so choose. There's no reason to spend a dime on a gym membership until you prove to yourself that you'll use it.

Annual Cost: \$720

Potential Earnings Over 10 Years: \$11,867.36

10. CHECKING ACCOUNT MAINTENANCE FEES



Big banks tend to charge big fees on everything from overdrafts to new checkbooks. Even worse, they tend to charge hefty fees just for the privilege of using your money. According to [CNBC](#), the average monthly checking account fee is now around \$11, but it can be as high as \$35 per month.

If your bank charges you a monthly maintenance fee, it's time to change banks. Here are [12 of the best free checking accounts](#) available today. Stop the bleeding and keep your money where it belongs: in your account.

Annual Cost: \$131

Potential Earnings Over 10 Years: \$2,175.68

11. CREDIT CARD INTEREST



It's hardly a newsflash that credit cards charge extremely high interest. Even the [lowest-interest credit cards](#) typically charge an APR in the 13% to 16% range. In fact, average credit card interest rates [hit a record high in May 2018](#) at 16.71%. Some credit cards charge interest in the 20% to 25% range, which is enough to make a mobster loan shark tip their fedora.

According to [Experian](#), the average U.S. household has \$6,354 in credit card debt. At 16.71% annual interest, that comes to \$1,061.59 in interest payments per year. If you're carrying a balance, make [paying off your credit cards fast](#) a priority. It's hard to build wealth when you're blowing your hard-earned cash on high-interest debt payments.

Annual Cost: \$1,061.59

Potential Earnings Over 10 Years: \$17,498.42

12. MUTUAL FUND TRANSACTION FEES



Every time you buy or sell a stock, mutual fund, or exchange-traded fund (ETF), you have to pay your broker a commission. Depending on who you use as an equities broker, commissions range from as low as \$4.95 all the way to \$19.95 per transaction. These fees are why [day trading](#) is so difficult to do profitably.

But even for long-term, buy-and-hold investors, these transaction fees add up quickly. Assuming a mid-range commission of \$7 per trade, an investor who [dollar-cost averages](#) by buying shares every month will pay \$7 per month for every fund they want to invest in. Selling shares or rebalancing their portfolios incurs additional fees. For example, I like to invest in small-, mid-, and large-cap funds, split roughly 50/50 between U.S. and international funds. At a bare minimum, that's six different funds. If I were to invest by dollar-cost averaging every month, that would mean \$42 in commissions per month.

Some brokerages, such as Charles Schwab, offer commission-free trades on certain funds. You still need to do your due diligence before buying these funds, but they remain an option. Other brokerages offer bulk discounts for high-volume traders. For example, [Ally Invest](#) charges \$3.95 per transaction for high-volume clients. How much you can save depends on how often you invest, how often you sell, and how diversely you want to invest. In my case, I can save around \$30 per month by cherry-picking commission-free funds that meet my investing goals.

Annual Cost: \$360

Potential Earnings Over 10 Years: \$5,933.68

FINAL WORD

If you add up all of these “invisible” expenses, they come to \$12,963.10 per year. That’s \$1,080.26 per month in unnecessary costs.

This can be a life-changing amount. You could live in a better neighborhood for that sum or send your children to better schools. Or, if you saved and invested that money, you would be a millionaire within 23 years. The S&P 500 has delivered a return of around 9.8% over the last 90 years. By investing \$1,080.26 every month at 9.8% interest, you would have \$213,663.88 after 10 years. After 20 years, you’d have \$757,858.84, and after 30 years, you’d have a whopping \$2,143,905.70.

Not a bad nest egg, especially when you consider that all it takes is drinking tap water instead of sodas and trimming other costs you barely notice.

What would you do with an extra \$12,963.10 per year?

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ABOUT THE AUTHOR



G. Brian Davis is a landlord, real estate investor, and co-founder of SparkRental. His mission: to help 5,000 people reach financial independence by replacing their 9-5 jobs with rental income. If you want to be one of them, join Brian, Deni, and guest Scott Hoefler for a [free masterclass on how Scott ditched his day job in under five years](#).