

Make the Most of Low Gas Prices

My office is located in the Vincenzo Plaza on the southeast side of Verona which means that every time I walk out the front door I'm greeted by the oh too tempting aromas that emanate from Gray's Tied House on a daily basis. It also means that I have a front row view of the BP gas station and their posted gas prices.

I'll admit to being enough enamored with what I do for a living that I do actually have a TV in my office that is permanently tuned to a financial network (although during March Madness the channel may occasionally change mysteriously... especially when the Badgers are playing). As an avid watcher of the financial news I knew that gas prices were going to go down, and go down a long way. I watched crude oil prices starting to decline last fall and knew it was just a matter of time before gas prices followed.

And fall they certainly did.

Locally gas prices dropped from over \$3.30 a gallon to, for a very brief time, under \$2.00 a gallon. That's a decline of nearly 40% on something that nearly all of us use a lot of. According to Gluskin Sheff & Associates, US consumers save about \$1.5 billion for every penny that the price of gas falls. That's a lot of money in the pockets of consumers, money that can be spent on other things which could have a very positive impact on overall economic growth.

While an improving economy could have positive repercussions for all of us, I'd like to challenge each and every person reading this to use the gas price decline to directly improve your own financial situation. And I don't mean by using the extra cash each time you fill up to buy candy bars and Powerball tickets.

Let's take a look at some hypothetical numbers.

I just looked out my window and the price of regular gasoline right now is just under \$2.30 a gallon, almost exactly \$1 less than it was just a few short months ago. If you have a vehicle with a 20 gallon tank that means you are saving about \$20 every time you fill it completely. If you fill your tank an average of 5 times a month that means that you could be spending \$100 less a month on gas than you were last year. As my grandma used to say, that's real money.

Since you are used to spending that money anyway, why not keep "spending" it each time you fill up? Every time you put gas in your car you could set aside the extra \$20 the gas used to cost and do something specific with it. If you normally pay cash take the \$20 bill out of your wallet and tuck it in an envelope or if you use a debit card subtract the extra amount from your balance and move it to a different account. However it works best for you, separate that money and do something with it that will positively impact your life.

So what can you do with an extra \$100 a month that would make a real difference?

If you have any high interest or credit card debt, make extra payments towards it. If you pay an extra \$100 each month towards a credit card charging a 24% interest rate your balance after one year will be almost \$1500 less than it would have been without making those payments, with the extra \$300 reduction coming from interest savings.

Another option would be to set up a savings account that can be used as both a cash reserve and a way to save for a bigger one-time expenditure. Imagine how nice it would be if the next time you need to make an unexpected car repair, or your son rips the arm on his winter coat, you had the money sitting in an account ready to pay for it. Or wouldn't it be great to have money ready for a security deposit if you are looking to move to a new apartment?

If you don't have any high interest debt, and you already have a comfortable cash reserve, consider investing that money for something more long term. Did you know that if a 30 year old were to put \$1200 into a Roth IRA that earned an average of 6% annually¹ over 35 years that they could have almost \$7000 in the account by the time they retire at 65?

Not too shabby for just setting aside some extra gas money.

¹Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties which are difficult to predict. Past performance is not indicative of future results. Diversification does not ensure against market risk. This is a hypothetical example and is for illustrative purposes only. No specific investments were used in this example. Actual results will vary.

Trisha Arndt, CFP[®], is President of Wealth Strategies of Wisconsin Ltd, 901 Kimball Lane, Suite 1400, Verona, WI 53593, 608-848-2400. Securities and Advisory Services offered through Commonwealth Financial Network, member FINRA/SIPC, a Registered Investment Adviser.