

Saving Money: Start with a Plan



emergencies. Then you can focus on other goals. Be sure to set some short-term, easily achievable goals.

Once you've achieved some short-term goals, start thinking about long-term goals, like a new home, a new car, a college education or a vacation. Determine the cost of each goal and break it down into monthly amounts that must be saved.

Don't delay. The sooner you start to save, the faster your savings will multiply, because compound interest pays interest on top of your interest. For example, let's say you save \$50 a month at 4 percent interest for 40 years. Your total deposit is \$24,000, but your account will have grown to \$58,355. If you wait just one year to start saving, your total deposit over the 39-year period will be \$23,400, or just \$600 less. But your account will have grown to only \$55,480. That one-year delay cost you \$2,275 in compound interest.

Save windfalls. Bonuses, pay raises and

cash gifts are easier to save because they aren't money you were counting on. By setting them aside, you're less likely to feel that you've sacrificed. Consider investing windfalls in long-term savings products in which there is a penalty for early withdrawal—another great way to check that impulse to spend.

Take advantage of company savings plans. If your employer has a 401(k) or profit-sharing plan, use it.

For more about savings plans, see us. We offer IRAs, as well as a variety of other savings vehicles.

Pay Yourself First

If you find it hard to save money, try using direct deposit or payroll deduction to make saving automatic. No doubt about it—it's easier to save money that you've never actually seen. Just pay yourself every month like you pay your rent or mortgage and utility bills. Ask for forms to get started.

Are you setting aside enough in savings each month to meet your future financial needs? Financial planning experts recommend putting at least 10% of your earnings into savings. However, if you're like most people, you're not doing that. Fortunately, there are steps you can take to raise your savings level easily.

Start small. At the end of each day, set aside your pocket change and deposit it monthly in a savings account. You might be surprised at how fast it adds up.

Set realistic goals. First you should set aside 3 to 6 months of living expenses for