

IT'S NEVER TOO EARLY — OR TOO LATE — TO SAVE



No matter your stage of life, it's important to have savings: Whether it's for a special purchase, a college education, your first home, retirement, or an emergency fund. But just how do you get started and stay on course? Here are a few tips and resources to help you reach your savings goal.

Create a budget.

The first step toward taking control of your financial life is to evaluate how much money you take in and how much money you spend. Start by listing your income from all sources. Then, list your fixed expenses—those that are the same each month—like rent, car payments, and insurance premiums. Next, list the expenses

that vary—like entertainment, recreation, and clothing. Writing down all your expenses, even those that seem insignificant, is a helpful way to track your spending patterns, identify necessary expenses, and prioritize the rest.

Pay yourself first.

This phrase refers to the practice of automatically making a savings

contribution or investment with your income before it can reach your wallet. For example, consider a payroll savings plan where a certain amount goes directly into your savings account each payday. This can help you get used to managing living expenses with what looks like a smaller paycheck, when actually you're building up your own savings.

Get to know the value of compound interest.

Setting aside money and watching it grow can be a powerful motivator. Compound interest can be thought of as "interest on interest." It is the interest you earn on your initial investment plus all the interest that has accumulated over time. It makes your investment grow at a faster rate than simple interest, which is interest earned only on your original investment.

Watch your money double with the Rule of 72.

The Rule of 72 is an easy way to calculate how long it will take for your investment to double at a given interest rate if you don't make any further deposits. Take the number 72 and divide it by the interest rate you hope to earn. That number gives you the approximate number of years it will take for your investment to double. For example, say you invest \$8,000 in a mutual fund with an average eight percent rate of return. In about nine years (72 divided by eight) your savings will have doubled to \$16,000.

Keep it going.

If you get a raise at work, bank it. If you pay off your car, bank the monthly payments. If you're not sure you'll remember to make the deposits, consider automated transfers from your checking account to your savings or investment account. That way you never even notice it. If you were able to live on less before, you can continue to.

Get creative.

Save and have fun. Saving money doesn't have to be boring or a chore. Get your hair done for free or at a discount by searching online for local beauty schools and making an appointment with a student in training. Pack your lunch. Did you know that spending \$6 a day on lunch means spending about \$800 a year? Instead of buying books, music, and movies, dust off your library card or trade favorite

reads, music, and movies with friends. Go generic on your favorite grocery, beauty, and health care items. Keep your car tires properly inflated, which can increase fuel efficiency, meaning less money spent on gas. The list is endless.

Bottom line

Everyone has the ability to save. You can start small and save only \$10 a week or month. Over time, your deposits will add up. Even small amounts of savings can help you in the future.

To learn more, check out these free resources:

- America Saves—Consumer Federation of America (CFA), <https://americasaves.org>
- Money Smart—Federal Deposit Insurance Corporation (FDIC), <https://www.fdic.gov/consumers/consumer/moneysmart/index.html>
- Investor.gov—U.S. Securities and Exchange Commission (SEC), <https://www.investor.gov>
- Jump\$tart Clearinghouse—Jump\$tart Coalition for Personal Financial Literacy, <https://www.jumpstart.org>
- MyMoney.gov—Federal Financial Literacy and Education Commission (FLEC), <https://www.mymoney.gov>



Federal Trade Commission (FTC), Consumer Information. (2014, April). It's never too early—or too late—to save. Retrieved November 27, 2020, from <https://www.consumer.ftc.gov>