

The buck starts here

June 2015 Newsletter



Want to strengthen your financial habits? Money experts offer lots of advice. But here's one popular plan: Pay yourself first!

You come first

Here's how this strategy works: You get paid first when your paycheck arrives. This doesn't mean you get to go out and "shop till you drop." Paying yourself first means the first thing you do is put money aside for your goals.¹ These goals focus on savings.

Surveys show that Americans don't save enough. Most of us know we should save for emergencies, retirement and other long-term goals. Yet only 23% have the 6-month emergency cushion most experts suggest.² And 26% have no emergency funds at all.³ Only 18% say they're putting away enough for retirement.⁴

Overcome obstacles to saving

Many people say their living expenses are too high. They don't think they have enough left over to make saving worthwhile.

It can seem frustrating to put away small amounts. But those dollars grow over time. It's important to save — regardless of how much.

Why? It's about getting into the habit. While the amount matters, it's less important than the habit of saving. Once you get in the routine, you'll be more faithful to the cause — you! That's why this plan is called "paying yourself first."

Start with direct deposit

One of the basics of paying yourself first is to have your paycheck deposited directly into your bank account. Then, set up automatic transfers into your retirement savings so you never even "see" that money — until you need it later.

Next, figure out where your money goes

It's helpful and instructive to see where your dollars really go. Some experts advise dividing your costs of living into four "buckets".⁵ They are:

- **Fixed monthly costs.** These include food, rent or mortgage, phone/internet, car payments, credit card bills and other items you pay every month.
- **Recurring costs that aren't monthly.** These may be clothes, gifts, haircuts, pet expenses, car repairs, household items, insurance premiums, real estate taxes and such.
- **Your goals.** These may include paying off credit card debt and student loans and building emergency, college and vacation funds. (Retirement isn't listed here because of the earlier tip to take that money out of your paycheck automatically.)
- **Your choice.** Here's where you get to decide how to spend the rest of your money. How much do you use for movies, personal luxuries, going out for lunches or dinners, babysitting and other optional items? Ideally, what you spend is based on what's left after you meet your debts to the other three buckets.

Earn, learn and plan

Managing finances is hard. These tips may give you some new ideas on ways to handle, spend and save your hard-earned money.

^{1,2,3,4} www.forbes.com

⁵ www.learnvest.com