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# 10 FUN WAYS TO SAVE FOR THE FUTURE

By Deborah W. Ellis

When you think of saving for the future, do think of what you must give up, how to live on less or what to deny yourself?

You are not alone. So many people see saving for the future as a chore, not a luxury.

I am going to show you ten ways you can save for the future and enjoy doing it!

## 1. *Make budgeting a game.*

If you look at budgeting as a game, it is much more fun. You'll be surprised what comes out of the exercise. For those of you who have written down everything they eat to see why they are not losing weight, the exercise will be familiar. You will also be familiar with the potential for surprise. That is what makes it fun. You look at your log for the day or week, and you will see where the money is going. I had one client who lived very modestly, made a good income, but never had enough to save. He couldn't figure out what he was spending the money on. Then he kept a log and wrote down everything he did with money. It turns out he was giving money to his girlfriend. He hadn't been aware of how much money he was giving her. He was happy to give her money and buy her things, but writing everything down gave him a clearer picture of where the money was going. It empowered him to be able to make choices on where he wanted to spend his money. It also was a wake-up call. Not only wasn't he paying himself, he wasn't putting any money into any retirement account! At least now he knew why and where the money was going. He had a choice and was empowered to make whatever decision he

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wanted. But he no longer had to wonder how he could be living so modestly and not be able to save any money.

Start with writing down everything you spend for two weeks. Look at it, and if you are surprised, go for another two weeks. That way you will have a full month. But that won't include quarterly or annual expenses. If you have payments that you pay quarterly or annually, don't forget them. Even though you may not have paid something during the specific 2 to 4 weeks when you were tracking your expenses, you can include these expenses by taking each expense and figuring out the monthly cost.

For example, you might pay your car insurance every six months. Divide the cost by 6 and you'll have a monthly amount you need to add to your monthly expenses.

Items and services you purchase and charge to a credit card, are still expenses you need to track. You aren't as concerned with how much you pay monthly on the credit card blll as to how much you spend each month. A credit card is not an alternative source of income.

Once you've tracked your expenses, move on to see HOW you are paying for everything. If you are charging $1000 on your credit cards, but only paying $200 a month for your credit card payment, that is a problem. There are very high interest charges associated with running a balance on a credit card. The interest charged every month is another, often overlooked expense and should be added to your monthly expenses.

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Because credit cards are so readily available and credit cards are so easy to get, it is hard NOT to confuse a credit card with an alternate form of income. Again, a credit card is NOT an alternate source of income.

2. ***Look at your expenses and prioritize them.***

Do your priorities match your goals, vision, dreams and, also your reality? Rent or mortgage, utilities, food, gas, basic clothing are all top priorities. You can account for these first. These are also other predictable expenses. Make sure you count everything you charge on a credit card.

The individual items are what is important, not how much you are paying each month on the bill.

After tracking your expenses for a few weeks or months, you will have an idea of how much you spend each month on each of these. And you should also be clear that credit cards are NOT an alternative form of income.

3. ***Now Pay yourself first!***

Do you choose a day to pay all your bills at once? Or do you pay them as they come in? Do you have automatic payments set up for some of the fixed expenses? Fixed expenses are those that you can expect on a regular basis, either monthly, like rent or a mortgage, or regular payments that are quarterly or annually. Fixed expenses are generally for a fixed amount or a fixed range? There are lots of ways of "budgeting" for expenses. You can put money for each separate expense into its own separate envelope.

For example, you can have one envelope for groceries, one for mortgage or rent, one for utilities, and one for entertainment.

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Another useful tool is to log everything on which you spend money. You can start with a two-week log and if that is working, keep going for a month, maybe even two months. If you are surprised at how much money you are spending and where it is going, keep going

This is invaluable information

### *4 Do your spending habits match your priorities?*

Or do you just get money in and pay the first bill you get until you run out?

Do you consider what expenses you will need to pay, and understand what the priority is for each expense? Or do you get a paycheck, spend it to go out to dinner and a movie, and then one-week later worry how you are going to pay your rent?

The fun of setting up a priority list and spending money on the highest priorities first is that you will feel good. You will have a sense of empowerment. You will feel a sense of control. You will know that you are the one in control. It is a very good feeling.

If you prioritize your expenses and spend your money on the highest priorities first, you will be surprised at how far your money can go!

And most important, pay yourself first! Your priority list should start with you.

You can adjust how much you pay yourself to adjust to your other priorities, but pay yourself first.

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5. ***So how do we make sure that we get paid first and priorities are paid in order of importance?***

There are various methods out there. One of the easiest and most popular is segregating funds. Put money into separate envelopes, or separate checking accounts. I have an account just for our mortgage, property taxes and home insurance, and I have them automatically deducted every month. The trick is to make sure you deposit money into this account on a regular basis, either through

Direct deposits or by checking the amount in the account regularly. If you can access your account online, most accounts let you set up alerts that email or text you when your balance falls below a certain level. It is worth it to set these up. I've found this strategy a great help.

You can use the envelope method that is popular regular expenses you can pay with cash. If you know you spend about $250 a week on groceries for the family (or any number), then when you get paid you can divvy up the money and make sure you put $250 in an envelope for each week for the weekly expenses for groceries and household items. When it is gone, you are done shopping for that week, so use it wisely.

Having it physically separated helps a lot of people. They can see the money, watch it shrink, and are required to pay attention. You can also do it on paper, but that is a lot of record keeping. With the envelopes, you can easily see how you are doing, without having to do calculations. Another alternative is to allocate a certain amount to each item. Then write down everything you

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spend, and subtract that amount from the money you've allocated to see how you are doing.

When I was a child I had a friend, Laura whose family had an accountant and money manager. Laura's father was a popular musician who performed all over the world.

But he had no interest in managing his money, so he hired someone to do that. Their manager would tell them what they could and couldn't spend and on what.

If you are in a higher income tax bracket, that can be a very workable solution. But you have to be willing to give up control and work with that kind of system. If you are the leader you need to be, you will hire the right person to be on your team.

6. ***Any time you get change in coins, put it aside.***

You'll be shocked and thrilled at how quickly that adds up. Bank of America had a promotion once that if you had a checking account with them and used their credit card (paying it in full every month, of course) they would round up to the nearest dollar and the bank added the difference to your checking account. I always tried to make purchases just slightly over and even dollar amount so as to make the most from the promotion. Now that was fun. If you bought something that cost $12.98, by the time they added tax (it is over 9% in California) the total would come to close to $13.16. I would get $0.84 added to my account.

There is a website that is now doing something similar when you use a debit card. Say you bought gas with a debit card that is registered on the

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website. If the gas total came to $11.74, the website would add $0.26 to your bill. The $0.26 was taken from your debit account and added to the website account. When it reaches a certain amount you have the option of using it in several ways. You'd be surprised how that can add up. And you can do it for yourself. Especially if you are paying cash and not using credit cards for everything.

This works well, especially if you are buying something at Starbucks or Coffee Bean or any fast food regularly, where you could easily use cash and keep the change.

Once you see how much fun that is, you can move up the challenge. Instead of saving coins consider saving one-dollar bills.

You can decide where you want to put the money to save it.

Several options would be something simple, like a jar. I have a faux leather pouch I was given for deposits for the bank. In it I keep an envelope for bills and a small change purse for coins.

Whenever I have too much money in my wallet, or floating around the bottom of my purse, I transfer it to my pouch.

My husband found a large plastic "Coca Cola" bottle with a slot in the top for coins.

He keeps pennies and has filled many over the years. Every now and then we take all the pennies and put them in coin rolls to see what we have saved. He separates the pennies that have copper in them as those are worth more.

As of now, it cost almost 1½ cents to make each penny. Pennies are not real cost efficient, and the government could at some point discontinue making

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them. But you can save up a lot of money just by saving pennies. Benjamin Franklin said "a penny saved is a penny earned". It doesn't

seem like much, but that is what makes it fun. You don't really miss them and they grow.

Would you rather have a penny that would double every day for 30 days, or $5,000.00 today?

Starting with a penny and doubling it on the first day you would end the first day with two cents. If the amount doubled every day at the end of 30 days you would have **$10,737,418.24.** Now wouldn't that be fun? That is the magic of compounding.

7. ***Pay off your credit cards and any debt you owe.*** Stop paying interest on credit cards! Pay them off as soon as possible, feel the freedom, and only use cash for your purchases. If you are going to use credit cards, pay them in full EVERY month before the due date. Only your mortgage, and MAYBE a car or student loan should be charging you interest. And even then, you can negotiate the interest rate and the length of the loan.

   Have you ever looked at how much you are paying in interest charges annually on each account? Paying the minimum required payment only keeps you in the vicious cycle. Every month the amount owed on the account (the original loan and any charges you have added to it) is used to calculate the interest owed for that month and eventually you are paying more in interest than you originally charged on the card!

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I had a client who had an equity line of credit on her house. She was thrilled with the "low" interest rate of 3% on the original loan. But it was an interest only loan and not amortized. That is, her monthly payments were not calculated to pay off the loan at the end of the loan period! She was paying almost $3,600.00 a year in interest, and would still owe a balloon payment for the full amount of the original loan at the end of the loan.

She refinanced her home mortgage for a rate lower than she was currently paying on the original loan. She added what she owed on the equity line of credit to her mortgage and was saving over $3,000.00 a year in interest charges even after her payments on her refinanced mortgage. . What relief she felt when she was free from the burden of paying such a large chunk of money and not having any of it apply to the original loan.

8 . ***Once you start paying yourself first, set up an emergency fund.***

Not paying interest charges is an excellent way to save money. You can set up an emergency fund, and put money away for your retirement.

If you have a consistent income, your emergency fund can be equal to the amount you would spend in 3-6 months. If your income is cyclical, save enough for a year of expenses.

An emergency fund is just that. It is for emergencies and unexpected expenses. An "unexpected night out" does not count as an emergency! Take regular care of your car, appliances etc, but when something happens you have the money to take care of it. When you take money out of the emergency fund, you need to replace it ASAP. You always want to have an emergency fund. As my husband loves to say,

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"It's always something." Things come up. With an emergency fund, you are prepared.

9 ***Make sure you are taking advantage of any tax-deferred accounts available to you.***

Your money will grow much faster if you do not need to pay taxes on the growth until you retire. If you can do automatic deductions do it. If you have a company that will match a certain amount of your contribution, make sure you contribute at least up to the amount that they will match. Employer matching is free money!

10. ***Once you have an emergency fund keep saving so you can invest your money.***

Once you've maxed out your tax-deferred accounts, don't stop investing. You are not done yet. Invest even if it is a taxable account. You will need

investments that will grow with inflation. Any money you invest in the markets should be invested for longer than 7 years. The market can be volatile. By that I mean individual stocks can go up and down, even if they are growing or paying a dividend. There are several indices such as the Dow Jones Industrial Average, S&P 500, the NASDAQ, and many others. They each track specific stocks, bonds, or funds (or other). You can watch them throughout the day and they give a closing value when the market closes. These numbers are very fluid. But because they can fluctuate, you need to put yourself in a position to have any cash available you might need. What you do not want to do is put yourself in a position where you need to sell investments when they are fluctuating. There is no need to sell something for

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a loss if you have your emergency fund and short-term expenses accounted for. If you have your emergency fund, day to day expenses and short term goals accounted for, then you can invest for the long term and not panic because of a volatile market.

**Finally, as your income goes up, make sure the amount you pay yourself goes up also.**

Saving can be very satisfying. It will give you a sense of empowerment and free up a lot of energy that has been wasted on always struggling to make ends meet.

Deborah W. Ellis is a Certified Financial Planner®, sought after speaker, author and financial coach.

Deborah would like to offer you a 30-60 minute complimentary financial strategy session to help you clarify your goals. Just call or email to Deb@DeborahWEllis.com

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