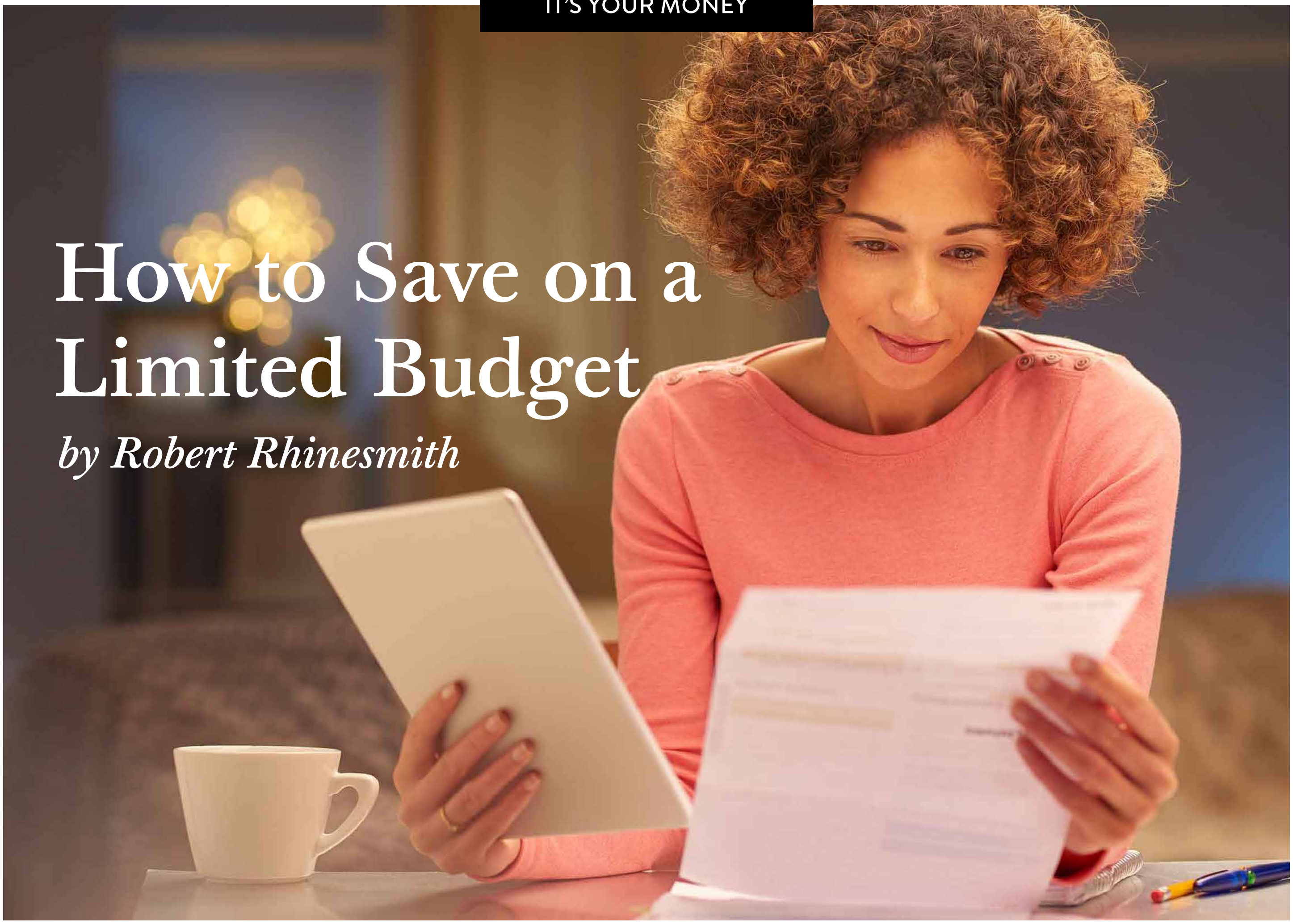

How to Save on a Limited Budget

by Robert Rhinesmith

As everyone knows, saving money for your future is important and pays benefits. Yet, when you have a limited budget, it can be a challenge figuring out how to get started. Savings is the portion of income not spent on current expenditures. Because the future is unpredictable, money should be saved to pay for unexpected events or emergencies. For instance, your car may breakdown and the repairs may not be covered under a warranty. You may have home appliances that break down, your children or grandchildren may need money for clothing or school events or medical issues. A medical emergency could occur. Without savings, or safety net, unexpected events can become large financial burdens. Therefore, saving helps you and your family become more financially secure and independent. Money can also be saved to purchase expensive items that are too costly to buy with your current earnings. It's a much better option than charging non-essential purchases to a credit card.

TWO QUICK TIPS FOR SAVING ON A TIGHT BUDGET

Tip #1: We have just finished "tax time". Many of you have, or will receive money back from the US Treasury and/ or your State's Department of Revenue. Why wait until the first or even the second calendar quarter of NEXT YEAR to get your hard earned money back? Why let the government use your money for several months without it earning dividends for you? You may want to consider reducing any extra withholdings you've requested and increase your number of personal allowances. Please only reduce your additional earnings, or increase personal allowances to a level that will get you to a point of zero taxes owed or a slight refund back to you. These changes are recorded on Treasury Form W4, which is available from your personnel office or on-line at https://www.irs.gov/pub/irs-pdf/fw4.pdf It's your money, why not have it available for your use every time you get paid? You could actually use a portion of it for your savings giving you the advantage rather than the government.

Tip #2: Some employers allow a direct allotment to financial institutions. Allotments may only be permitted to the institution they use for payroll, but at least this is one painless way to save each pay period without having to remember to make the time to make the deposit yourself. After a couple of payroll periods, you may forget you're even saving automatically! Before you know it, you'll have a nice little nest egg growing that is positioning you to be more financially secure.

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HOW MUCH MONEY SHOULD YOU SAVE?

To be considered financially secure, an individual or household should save **at least** six months' worth of expenses. For example, a household that has $1,000 per month of expenses should have at least $6,000 in savings ($1,000 multiplied by 6 months). To reach this amount, it is recommended that at least 10 percent of your net income should be saved until the appropriate amount of savings is reached. Net income is the amount of your take-home pay after taxes and other deductions have been taken out of your paycheck. Those "emergency or immediate" funds should be kept in an insured account, held locally, where you can access your money, without charge, using a free debit card.

HOW TO BEGIN SAVING MONEY

To choose saving over spending, the first step is to rethink how you view money. Money should not be viewed as what is remaining after current needs and wants have been satisfied. Pay yourself first is a popular and very effective saving strategy that can help you choose saving over spending money. Paying yourself first means to set aside a portion of money (at least 10% of net income is recommended), for saving each time you're paid, before using any of the money for spending. To successfully practice the pay yourself first strategy, you should set personal goals. Setting goals helps you to reaffirm your reason for saving. A goal is a desired result or possible outcome that you envision, plan and commit to achieve. Financial goals are specific objectives to be accomplished through financial planning and includes saving money. Setting goals helps you to identify and focus on items that are most important to you and then make decisions that help you to attain them. While in the process of setting goals, you should consider the trade-offs to those goals. Since a tradeoff means giving up one thing for another, every decision will involve a trade-off. Being more financially secure in the future by saving is a trade-off to spending money in the present. If you clearly understand what you are giving up in exchange for the benefits of saving money, your saving goals will become more attainable and realistic. When considering the trade-offs to achieving savings goals, you should examine your current spending as well. Your spending may have to be adjusted in order to reach your financial goal and practice the pay yourself first strategy. The key to successful saving is to stay focused on what you want to achieve. Once you reach your desired goal, you will find it was well worth the effort!

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