

Three keys to saving success

One of the essential money principles that persons often neglect in challenging economic times is the important act of saving. When there's not even enough money to pay basic expenses, it's easy to understand why people will forgo this simple, but fundamental tool of financial success.

Even if they had extra funds left after paying their bills, many people think that it doesn't really make sense to save, as the money seems too small to make a difference to their financial situation. It's common to hear people comment that interest rates are too low, and it takes too long for savings to grow, so why bother?

Although some people might think that it's a futile activity, there still is no substitute for saving, for many reasons. Firstly, it is vital to put aside a pool of money that can take care of emergency situations such as illness or job loss. Apart from creating a rainy-day account, it is also important to save to build a nest egg that can be used for future goals.

While they may recognise the benefits of building lump sums through saving, many people don't understand that there is a psychological value to saving. To be successful in any endeavour, it is important to be disciplined; one main purpose of saving is to develop the regulated restraint that is required for financial achievement.

In order to save consistently every month, you need to make a savings plan. Let's look at three key things that you can do to be successful with saving:

Decide to make saving a priority

There's always some pressing need for money, so saving is often relegated to the bottom of the money priority list. Remember that when you use all your money just to pay bills, then everyone else is benefiting from your hard work except you. At the end of the day, you will really have nothing to show for your effort, so decide to pay yourself first by saving some of your money.

It might seem difficult to save when you have many expenses, but if you are creative you can find ways to free up extra cash. Can you carry food from home instead of buying lunch at work? Can you cut back on entertainment, cable or mobile phone calls? Do you have a loan that you recently finished paying? Instead of spending the money that is now available, how about saving it?

If you are really challenged in finding extra money, then the simple act of gathering loose change in a jar every day can be enough to start your savings plan. I have heard of persons paying school tuition, going on vacation, or even buying cars with the proceeds of coin saving. No matter how small, saving helps you to focus on accumulating and retaining money instead of just spending it.

Determine an amount to save

Saving becomes an easier task when you work out a set amount to save regularly. Instead of making ad hoc allocations to your account, you should use your budget to help you calculate the exact figure that you can commit to saving each month.

While you may decide on a flat amount, it's even better to save a fixed percentage of your income. It's generally recommended that you should save at least 10 per cent of your income every month. However, if you put this amount in your budget and find it too hard to pay your other bills, then you can start with a smaller figure such as five per cent.

As you earn more money, you should increase the amount of your income that goes towards savings. Having a percentage allocation ensures that you will remember to boost your savings every time you receive a pay increase.

Discipline yourself to save regularly

One situation that prevents many people from saving regularly is that they may not have the time to go to their financial institution to make their deposits. To ensure that your savings plan stays on target, and that you are not tempted to spend your savings, you need to work out the simplest way to get money into your account every month.

Look for ways to make your savings automatic, and ensure that the process is as hassle free as possible. One direct way to get your money into your account is to request a salary deduction. Ask your employer to take out your savings amount from your pay cheque before you receive it, and send it to your account.

Another possibility is to set up a standing order at your financial institution to transfer your savings amount into a different account that is not used for spending. If you leave your savings in an ATM-accessible account, you may forget its true purpose. If neither of these options is available to you, then simply place your savings into an envelope and put it aside until you can get to the bank.

So make a decision to pay yourself first, determine a fixed saving amount and be disciplined in building your nest egg every month!