



Pay Yourself First

Many Americans live from paycheck to paycheck. Savings rates are less than 7 percent and have fallen near zero several times in the past few years. Personal finance experts recommend that you save at least 10 percent of your income. A savings fund will increase your financial security.

One tip for saving is to pay yourself first by making a “savings bill” part of your budget. When you pay your other bills, pay your savings bill, too. Just deposit

the money in your savings account. If your employer offers direct deposit, have part of your paycheck deposited into your bank or credit union savings account. It’s easy.

Other savings tips that work

- **Save “bonus” income.** Try to save tax refunds, overtime pay, gift money, refunds and rebates.
- **Save coupon money.** Save the amount you “save” by using coupons at the grocery or drugstore. So, if you save \$5 a week using grocery coupons, put that money in your savings account.
- **Pay installments to yourself.** Once you pay off an installment loan (and if other debts are not overdue), make payments to your savings account.
- **Collect loose change.** At the end of every day or week, empty out your pockets and wallet. Put the change in a jar. Deposit the change in your savings account monthly. Over time, it can add up to tens or hundreds of dollars or more.
- **Break a habit.** Every time you skip a happy hour drink, a cigarette or a candy bar, you’ll save money.
- **Save lunch money.** Take your lunch to work. Eating out can add up to a lot of money at the end of the month.
- **Shop sales.** When you buy an item on sale, take the difference between the sale price and the full price and put it in your savings account.

- **Have a “nothing week.”** Try to go an entire week without spending. Don’t eat out. Instead of going to the movies, borrow a DVD from the library. Play board games. Go to the park. There are lots of ways to have fun without spending.
- **Use a “crash budget.”** Set a time limit, such as one month. Cut out all unnecessary spending and try to save as much as you can.

Why save?

Saving provides a safety net for life’s uncertainties. Emergency savings funds should have enough money to cover about 3 months of expenses.

If you’re just starting to build your emergency fund, aim for saving enough money to cover just one month of expenses. Once you’ve established an adequate emergency fund, you can use savings toward other goals such as buying a car, going on vacation or making a down payment on a house.

Keep two questions in mind when you save money: What do you want to do with the money you save? How much will you need to achieve your goal?

What Are Your Savings Goals?

Think for a few minutes about what really matters to you; what you really want to do with your money. You'll probably have plenty of ideas. Write down as many as you can, then rank them in terms of how soon you want to reach your goal. List your goals below and start saving. The sooner you start saving, the sooner you'll reach your savings goals.

Short-term (less than 1 year): _____

Medium-term (1-3 years): _____

Long-term (more than 3 years): _____



Make Plans to Reach Your Savings Goals

_____ Pay yourself first. Save money from each pay period.

Amount: \$ _____

_____ Save part of your income tax return. Tax returns can be deposited directly into your accounts.

Amount: \$ _____

_____ Save half of your overtime pay or bonuses.

Estimated amount: \$ _____

_____ Save any loose change.

Estimated amount: \$ _____

_____ Give up a soda, coffee drink, candy bar or other habit.

Estimated amount: \$ _____

_____ Other ideas:

- _____
Estimated amount \$ _____
- _____
Estimated amount \$ _____
- _____
Estimated amount \$ _____

References

University of Arkansas Division of Agriculture, Cooperative Extension Service Fact Sheet

FSFCS43, Build Your Savings, www.uaex.edu

Bureau of Economic Analysis, retrieved 8/9/2010 from: <http://www.bea.gov/briefrm/saving.htm>

Author

Laura Hendrix, AFC® (Accredited Financial Counselor), is associate professor - personal finance and consumer economics with the University of Arkansas System Division of Agriculture, Little Rock.

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