

Your Money

by Cheryl Hanson Simpson



Saving Success

I will finish university in two months, and I'll be starting my first job. I want to get going with a savings plan as soon as I receive my first pay cheque. What would you advise me to do? –Ready to Save

I'm very impressed with your determination to begin your working life with the right savings attitude. Many of us (myself included) wish that we could turn back the clock and reverse all the years we spent splurging our income.

Time is on your side- with a savings and investment plan in place, you can accomplish many financial goals. A deposit on your first house, higher education, travel around the world, a comfortable retirement – all these can be within your reach by just starting to invest early.

This week we'll look at three crucial steps you should take to ensure that your 'new-job resolution' results in success. Next week we'll follow up with three important investing concepts that will help to make your savings really grow.

Pay Yourself First

The most important step to creating an effective savings plan is to consider your investment as your first expense. Our best intentions to save are usually derailed by thinking, "As soon as I've paid all my bills I'll save what's left". Usually that leads to more spending and less savings.

Let's look at it this way: You're probably going to be working at least forty hours a week. At the end of the month when you get paid, who should be the one that gets rich off your sweat and effort? You, of course. However, what is the reality for most people? The supermarket, landlord, utility companies, and all the other expenses get to keep the money that we've worked hard for. Make the decision that you will be the first person to benefit from your labour!

Follow the 10% Rule

Now that you're committed to making your savings your first expense, the next step is deciding how much to put aside. Financial advisors always recommend that you try to save *at least* 10% of your salary. Save a larger portion if you can. Using an exact percentage gives a ready-made figure to save, and ensures that you will increase your savings as your income grows.

Where did we get this magic formula? The concept of contributing a tenth of one's income is deeply rooted in biblical times, when ten percent of the earth's produce was to be set aside to be consecrated to God. I would recommend that you read the "Richest Man in Babylon" by George Clason. In simple language he describes how saving 10% of your income over time is the secret to financial success.

One of complaints I receive is that it's difficult to live on 90% of your income (or 80% if you also do a charitable tithing). Consider this: when you start working and have no debts, you live off all your take-home salary. Then you decide to buy a car or furnish your home on hire-purchase. Suddenly, a percentage (probably more than 10%) is taken away to service your debt, and somehow, you manage to make ends meet! I know it's very possible to put aside 10% for yourself if you're committed to it.

Make it Automatic

It's important to make it easy on yourself to save. Many people put off saving because they don't have the time to join long bank lines to deposit money. What usually happens then is that the money disappears in consumer spending.

Ask your payroll department to set up a salary deduction that will take the money out of your pay before you even see it. That removes the temptation of spending it. If your company doesn't offer this service, set up a standing order at your bank to transfer the money from your regular expenses account into one that is dedicated for investments. At some institutions, you can even do internet transfers from your computer.

If you're weekly paid and the 10% is too small to go to the bank each time, or if you receive income irregularly, you could make a special savings envelope and put aside the committed amount until you're ready to put it in your investment account.

The keys to personal success in saving are simple: **decide** that building your wealth is important to you; **determine** the amount you should be saving regularly; and be **disciplined** in making regular investments.

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