

Make Time to Save



Here's a familiar story for some... It's January and all that is left of the festive fun is a fleeting memory, the weather isn't particularly pleasant and almost naturally thoughts turn to sunny beaches and Summer breaks... they seem a long way off.

Meanwhile back in reality your bills and bank statements show you went a little too crazy with the gifts and fun, and payday seems almost as far off as that sunny beach.

What 'perfect' timing then for people to start mentioning 'Blue Monday', supposedly the most depressing day of the year, loosely recognised as taking place on a Monday in January.

Which Monday? Well it depends on who you ask, but it

shouldn't really matter, because as you might have guessed, the idea that Depression can be initiated by an otherwise random date isn't a concept based in science.

And why dwell on the negative anyway? You might have already put your New Year's resolution to one side, but that doesn't mean that embarking on a useful project right now is a bad idea, so how about taking up a Money-saving project?

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Why Save Money?

Most of us will say we could always do with a little less month at the end of our money, and then what about that Summer break? It won't pay for itself you know.

There aren't a lot of bad reasons to start up a nest egg, put some aside for a rainy day, or take a better look at where your hard earned funds go every month. That said, let's take a look at the most compelling reasons to start a savings project.

1. Become Financially Independent

The measuring stick for being rich is different depending on who you talk to. However, the one thing that the notion of "being rich or wealthy" means to most people is having financial independence and savings to depend on. Calling your own shots, financially speaking, means having the freedom to make choices in your life separate from earning a pay cheque.

This may mean being able to take a vacation whenever you want to, leaving work and going back to school to switch careers, starting your own business or investing in someone else's start-up, helping family members, taking on a lesser paying job that is more personally satisfying than financially beneficial, or a big one these days - retiring when you want to rather than working because you have to.

Financial independence isn't the same as being rich, but not having to depend on receiving a certain pay cheque can

sure make you feel rich beyond your wildest dreams! Having savings that you can rely on is what it takes to become "rich," no matter how you define it.

2. Save 50% on Everything You Buy + 24% on Groceries

If you normally charge all of your purchases on your credit card, and then you don't pay off your credit cards in full every month, because of added interest charges you are probably paying at least 50% more for everything you buy.

If you are relying on your credit cards to afford your lifestyle, break your expensive credit habit by saving up for your purchases ahead of time.

With savings, you can buy things when they are on sale and take the time to make better spending choices. People with savings can also stockpile groceries when they are on sale (items that are non perishable or which can be frozen).

One author suggests people who do this can possibly skip one grocery shop a month and save 24% a year on their grocery bill.

3. Buy a Home

The bank won't lend you money to buy a house unless you have a deposit as the days of 100% Loan to Value mortgages are long gone. You are not allowed to borrow a down payment. You must have this money saved up or have someone give it to you—and not lend it to you.

Your down payment needs to be at least 5% of the purchase price of the house, and then the bank will consider lending you the other 95%. However, unless you are looking at government assistance as a first time buyer or similar, you're going to need a 10-20% deposit to get the mortgage you really want.

And there are all sorts of other costs and fees that you need to pay when you buy a home, Stamp Duty, Movers costs, Solicitors fees etc. etc. So you will need additional funds just for those costs. Savings is what will open the door to owning a home.

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4. Buy a Car

When you want or need to buy a new car, you will need to have a down payment in order to get a car loan at a reasonable interest rate. You could of course “borrow” the money from your credit card, but at 20+%, how is that getting you ahead?

Zero percent financing is reserved for great customers, so a car loan is bound to cost you something—and it could be a lot. The best thing you can do is save up as large a down payment as you can afford, and then consider your options.

Maybe buying a quality used car rather than a new one will be what it takes to get you the vehicle you want.

5. Get Out of Debt

If you ever want to get out of debt, you have to have some money saved. Sounds ironic, doesn't it? However, the credit cards are never going to get paid off if you have to keep using them for every “emergency” that comes along. Even if you are an awesome planner, stats show that half of us experience at least one totally unexpected expense each year (and half of those will be unexpected car trouble).

So before you start aggressively paying off your credit cards, you should save up £500 to £1,000 as a reserve fund. Then when unexpected things come up, you can pay them out of your reserve fund rather than put them on your credit cards.

Maintaining a “reserve fund” will also help you to notice if your spending is getting out of hand. For more tips on getting out of debt, get in touch with the Adviceline or download the helpsheet from Well Online.

6. Annual Expenses

If you want to have a good, relatively stress-free financial life, you need to save for annual expenses. These may include money for gifts, holidays, vehicle maintenance, minor home repairs, fixing appliances, property taxes and possibly income tax.

It can be tempting to refinance a mortgage to pay off debt or to use a line of credit to pay off high interest credit cards, but it is dangerous to endlessly put expenses on credit without actually paying them off. The best way to manage these types of expenses is to save for them in advance.

This will not only save you money, but it will give you peace of mind.



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7. Unforeseen Expenses

What will you do if your car needs some major repairs? Do you have £500 to £3,000 on hand? What if your house needs some repairs, or it is discovered that you are living in a building that leaks?

You can't always count on the bank to lend you money for all of these things. It is much better to anticipate a worst case scenario and have some money saved.

8. Emergencies

As much as we hope that emergencies won't happen, we all know that they do. A family member can develop a health issue, you might need to make an emergency trip, you may have a car accident or breakdown, severe weather could flood your property, or you may have to fly to a loved one's funeral.

Any of these emergencies can be expensive, and we all know that we will likely encounter some sort of emergency from time to time. So why not be prepared rather than potentially become another victim of an

9. You Could Lose Your Job or Get Hurt

In good times, everyone thinks that their job is secure, but in bad times, many begin to realize that bad things can happen to anyone. You could suddenly lose your job, your business could dry up, you might get injured - either physically or psychologically or become too sick to work. Any of these things can happen to you.

Employment Insurance (EI) claims take a minimum of 30 days to come through, assuming you took out a policy in the first place. Do you have enough savings to tie you over or will you be living on credit? Living on credit during a time like this can quickly make a bad situation worse.

Minimum payments become higher and higher until they are unaffordable and credit limits no longer budge. Then when you finally do get some income, what used to be enough doesn't get you by because you have all these new debt payments to make each month.

So now you actually need more income than before because you'll need to pay down these debts and eventually work to get them paid off. This, if nothing else, is an extremely compelling reason to save.

10. To Have a Good Life

There are huge emotional, psychological and physical consequences to always living stressfully, from hand to mouth, pay cheque to pay cheque. People who don't plan for their future seem to run from "crisis" to "crisis."

There is a little known truth that happiness can come from being organized. Being organized isn't going to make you happy all by itself, but it can sure help. There's so much in your future that you don't have control over, so putting aside some money to spend when you need it is actually organizing and taking control of your future and financial affairs. You have nothing to lose by saving - and only a happier future to gain.

Start today by setting aside a little money each pay cheque until you have an emergency savings fund of £500 to £1,000. If you receive a bonus from work or an income tax refund, use that to get you started or to add to what you've already got set aside. As life happens and you need to dip into your fund, build it back up. It takes a bit of work, but it's a habit worth getting in to.

Further Resources

Payplan for debt assistance and advice:

www.payplan.com

And don't forget Well Online and the CiC Adviceline!

My Money Coach: Learn how to save money and make smart financial choices:

[https:// www.mymoneycoach.ca](https://www.mymoneycoach.ca)

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