

## Get in the Saving Habit

How much can you afford to save? The answer depends not so much on your income, your spending and your saving, but on the order in which you put those three things.

Everyone has to start with income, since you can hardly set something aside when you have nothing coming in. But then the paths of habitual savers and spenders diverge. The savers pay themselves first, regularly putting money into a savings plan and adjusting their spending.

The spenders turn this process around. They write the checks, flash the plastic and tap the ATMs first. Then they see if they have anything left over at the end of the month to stick in a savings account.

Guess which method works.

### **Start small, but be sure to start**

Experts (with plenty of common sense on their side) say the best way to start saving is, simply, to start saving. Start small if you must, but develop the discipline. “I firmly believe that just starting the routine of saving is very important,” says Georgetown, Texas fee-only financial planner Naomi Scrivener.

Like other planners, Scrivener suggests setting up some form of automatic saving system so that you don’t have to rely on your willpower alone. Tax-deferred retirement accounts at work, such as 401ks, are a natural place to start doing this. Given their tax benefits, these accounts are essential even if you’re the type who saves without being forced.

### **When willpower isn’t enough**

You can also do such autopilot saving for shorter-term goals, such as college, a new home, a new car or a big vacation. Banks, brokerages and mutual-fund families have automatic withdrawal programs in which you arrange to have a certain amount taken from your checking account regularly (each month or quarter, for instance) and put into some longer-term investment. This can be a bank money-market account, a mutual fund or a brokerage account.

You don’t need to set much aside at the start. Scrivener says the amount depends to some degree on the would-be savers’ debt situation, but “if they start with 3 percent and 5 percent [of their gross income], it shouldn’t be that painful.”

Whatever form your savings commitment takes, you still face the task of bringing your spending into line. It makes no sense to put money aside if the result is just higher credit-card bills.

## Resources

The American Savings and Education Council  
[www.asec.org](http://www.asec.org) (click "Savings Tools" on the home page)

The same organizations that help people deal with debt problems also have advice and counseling designed to get them on the saving track:

Consolidated Credit Counseling Services Inc.  
(800) SAVE-ME-2  
(800) 728-6362  
[www.debtfree.org](http://www.debtfree.org) (Click the "Learning Center" tab)

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