

How can I begin saving money?

Saving money for emergency purposes or for a specific financial goal can seem like a daunting task; however, for many people, working on this goal is within reach.

Start with a Budget

Determining how much to save is often the hardest part of saving money. This is best answered by creating a realistic budget – one that takes into account not only fixed expenses but also every day and often unplanned expenses. Creating this budget is a trial-and-error process and will probably require a month or two of adjustment to get it just right.

Once a workable budget has been established, determine if there is a consistent surplus or a deficit each month. The surplus is the amount that can be saved. However, if there is a deficit, it may not currently be possible to create savings.

Even people running a deficit (or just breaking even) may still be able to create savings by analyzing each budget expense and determining if economies can be found. For example, going from weekly to bi-weekly piano lessons, downgrading cell phone or cable packages that are not in full use, or cutting back on dining out. Once a potential for savings is identified, a change can be made, and if there is no longer a deficit, the difference can go toward establishing savings.

First Steps

When starting out, an individual may do well by saving a little less than originally planned in order to avoid potential shocks in the budget and to get accustomed to saving. If starting too aggressively, the budget may feel too restrictive and discourage saving altogether.

It also may be helpful to create a separate savings account (linked to a checking account), or even just an envelope kept in a dresser for savings. Having savings available in an account that is used every day may easily end up being used for other purposes. While there is no one correct method, the important part is that money is being saved.

Keep an Eye on the Goal

If an individual is looking to establish emergency savings, the goal should be to have at least three to six months of living expenses (including mortgage, utilities and car payments, etc.) on hand and readily available.

Should a temporary situation arise that prohibits the ability to put away extra money, discontinue saving, or substantially reduce your savings goals in your budget for a while until things are back on track. While

saving money is a great thing, it is not always possible at all times. Be realistic, and make sure saving is not being done at the expense of other basic needs.

Once a person gets in the habit of saving, it can be an enjoyable process to watch a nest egg grow, and an even better feeling to know that there is some financial flexibility should an unforeseen circumstance arise.

Resources

- MyMoney.gov: www.mymoney.gov
- Federal Deposit Insurance Corp.: www.fdic.gov
- Federal Trade Commission: www.ftc.gov
- Office of the Comptroller of the Currency: www.occ.treas.gov

Here when you need us.

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App: GuidanceNowSM

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