



How to Save

by Cullen Douglass, CFP®

Have you read the headlines? Americans don't save enough money. The personal savings rate in the US is 5.7%, according to the data from the U.S. Bureau of Economic Analysis. This is a vast improvement from the rate of 1.9% in 2008, the year of the financial crisis. But, many of us are living "in the moment" and not saving enough for the future. That puts our financial security at risk and sets a bad example for our children.

We teach our children to plan for a rainy day, to secure financial independence and to serve one another. How do we model these skills if we can't personally practice them? How do we educate our children and send them to college if we live paycheck to paycheck? How do we walk away from work in our Golden Years if we haven't saved more for retirement?

So, the questions to answer are, how much should you save and, even more important, how do you do it? The answer is best expressed as a percentage of earnings. Savings objectives change as income changes. The best way to gauge what your savings rate needs to be is hire a financial planner and do calculations based on your earnings rate, your income needs, and how much debt you have to service. Experience tells me that most of us should set aside 15% of income for long-term savings.

How do you get this done, considering most people don't do it? I watched my father fail doing this, so I can tell you it is crucial for financial health since it was crushing for my parents.

The best way is to take money out of your income before you spend it, at the beginning of every pay period. Pay yourself first.

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