Ways to Save

Do you fantasize about your dream vacation? Long to buy your own home? Plan to enjoy a comfortable retirement? Whatever your goal, you'll need to save money. Unfortunately, many consumers spend more than they earn. We know it's important to save, but we just can't seem to find the extra money. Want to stop living paycheck to paycheck? Learn to start saving today.

Spend less than you earn.

People can be "spenders" or "savers" no matter their income. What makes the difference? The key is spending less than you earn. Take control of your spending habits. Make a plan to set aside some of your income.

Examine your spending.

Sit down with your monthly bills and figure out your income and expenses. Write down everything you spend money on for a couple of weeks or a month. Be as detailed as possible. Include even small purchases. Try to find places to cut expenses and save money. Look for ways to change your spending plan.

Start small.

Most financial experts recommend saving at least 5 percent, and preferably 10 percent, of your income. But don't give up if you can't put aside 5 percent or more. Establishing a habit and saving consistently will eventually add up – even if it's just $10 per pay period. A savings account is a good place to start your emergency savings. Your money will be safe and you'll earn interest. You'll be less tempted to spend your savings if it's not in your checking account or in cash.

Build an emergency fund.

If you're just starting, aim for saving enough money to cover at least one month of expenses. If you've been saving awhile, increase your emergency fund to a larger amount. Emergency savings funds should have enough money to cover anywhere from 3 to 6 months of expenses. This will prevent borrowing when unexpected expenses arise or in case of a period of income loss.

Pay yourself first.

Make saving part of your spending plan, just like rent, mortgage or utility bills. When you pay your other bills, deposit a set amount into your savings account. Use direct deposit or make the deposit as soon as possible after pay day. Don't give yourself a chance to spend it on new shoes or golf clubs.

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A SMART Saving Strategy

A goal is a destination, something you want or need, which you acquire by taking certain steps. Goals provide direction for your plan of action. One of the most valuable things you can learn to do is to identify your goals clearly. Your goal might be to purchase a car. You may want to save enough for a down payment on a house within two years. Goals should be in writing and should be meaningful to you. It's helpful to define your goals in a **SMART** way. Think of it like this:

Specific – You're more likely to save if you name a specific goal. "I want to buy a dependable truck with good gas mileage."

Measurable – Designate a certain amount so you'll know when you've reached your goal. "I need $2,000 to make a down payment on the truck."

Attainable – Examine your monthly expenses and determine how much you can afford to save. Set an amount to save each week, month or per pay period. "I will save $50 each pay period."

Realistic – Set your goal for something that is truly within your ability to pay. "I will purchase a used, low-mileage truck."

Time-Bound – Determine a specific date for your goal. "I will save $2,000 by January of next year for the down payment on a truck."

Goals may be **short-term** – save for a special night out this month with your family; **intermediate-term** – save for a new television for Christmas; or **long-term** – save for a comfortable retirement.

The chart below can help you map out your goals for the future. Start saving!

My SMART Goals

Specific Goal	Achievement Date	Estimated Total	Short, Medium, or Long Term	Amount Per Pay Period

References

University of Arkansas Division of Agriculture, Cooperative Extension Service Fact Sheets *FSFCS43, Build Your Savings*, and *FSFCS52, Achieving Financial Goals*, www.uaex.edu

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Printed by University of Arkansas Cooperative Extension Service Printing Services.

University of Arkansas, United States Department of Agriculture, and County Governments Cooperating

FCS718-PD-10-10N