Saving Money

When a financial storm hits, saving money is one “instrument” you will be very grateful you learned how to use. It isn’t easy to save! One must make a commitment to start saving and stick to it. There will always be something waiting to take your money. But no one else will save for you, so you’ve got to do it for yourself. You may have heard that a penny saved is a penny earned. But actually a penny saved is more than a penny earned. This is especially true if you invest it in an IRA or retirement plan. If your pennies earn a 7 percent interest rate, then the following applies:

In 10 years, 1,000 pennies, or $10 a week,
would grow to $7,185.
In 20 years, 1,000 pennies, or $10 a week,
would grow to $21,318.
In 30 years, 1,000 pennies, or $10 a week,
would grow to $49,120.

How much should you be putting away? Professionals suggest at least ten percent of take-home pay should go into savings. This would include such investments as stocks, mutual funds and bank accounts. But this is only a guideline.

Most Americans actually save different amounts at different stages of their lives. What’s important is to keep the savings habit alive by always saving something.
When should you begin? As early as you can. If you start at 25 and put away $25 a month, you could reach $300,000 by age 65. If you wait until 45, that $300,000 at 65 may cost $300 a month.

Remember the rule of 72. This tells you how long it will take to double your money at a given rate of interest. You simply divide 72 by the interest your money is earning. At six percent, your savings will double in 12 years. At nine percent, they will double in eight years.

Here’s an idea. When working overtime on the job, set aside 75 percent of the extra income into a special emergency savings account. Another idea which deserves some thought is to set aside in your special savings account any company bonus dollars paid in cash. This should be done until an amount is accumulated which equals three to six months' income. After this, you can consider other timely investments with the extra cash. Resist the urge to spend the extra money. In the long run you'll be glad you did!