

Your Monthly Money

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Follow These 4 Tips to Help Develop a Saving Mentality

Take these steps to put your mind in saving mode for emergencies, retirement, and large purchases.

If you're like many people, you may have tried to build your savings, only to be thrown off course by unexpected expenses, a job loss, medical bills, or other circumstances that quickly drain your savings and cause you to rack up credit card debt to pay for it all.

When you have trouble saving money, the cause could be more than just a landslide of extra expenses. You may have never developed a "saving mentality," a mindset aimed at improving your financial picture by cutting monthly costs and building an emergency savings fund.

The good news is that developing a saving mentality to stabilize and manage your finances is easier than you think. Here are four tips for developing a saving mentality.

Create a budget

The first thing to do to develop a saving mentality is to create a budget based on your monthly income, expenses, and savings goals. That way, you can see where most of your money is going, make changes, and allocate a monthly amount to emergency or retirement savings.

Look for expenses you can cut such as streaming services you rarely use, overpriced snacks and drinks from convenience stores, ATM and cash advance fees, and online impulse shopping when you're bored.

To get started on a budget, track spending and look for monthly costs you can cut so you can deposit that amount into a savings account. Budgeting apps like Mint or You Need a Budget (YNAB) can help.

Post a visual reminder

You've seen those giant fundraising, revenue, and sales goal thermometers that organizations display to motivate and keep track of financial milestones. So, why not draw your own thermometer with your initial savings goal at the top? As you grow closer to that goal, with each increment, fill in the bottom of the thermometer with red.

For example, if your savings goal is \$1,000, and you make a deposit that brings your savings balance to \$300, fill in the thermometer with red up to the \$300 mark. Before you know it, you'll be at \$500, \$700, and eventually \$1,000. Then draw a new thermometer that shows how much you've saved and has a new savings goal at the top.

Take advantage of an employer's 401(k) match

Many employers match up to a certain percentage and dollar amount of your 401(k) contribution or up to a certain percentage of your annual salary. For example, if your employer matches up to six percent of your contribution and salary and you're making \$40,000 a year and contributing six percent (\$92) every two weeks, you can save nearly \$2,400 in just one year — plus an additional \$1,200 contributed by your employer.

If your employer offers a 401(k), enroll now to have a set amount deducted from each paycheck. If you never see that money as part of your monthly income, you may not even miss it.

Don't make impulse purchases

You'd be surprised at how much money trickles away without thought with impulse purchases on items you don't need. Start paying attention when you buy things, asking yourself whether you even need them or whether there's a way you could buy them for less if you shop around.