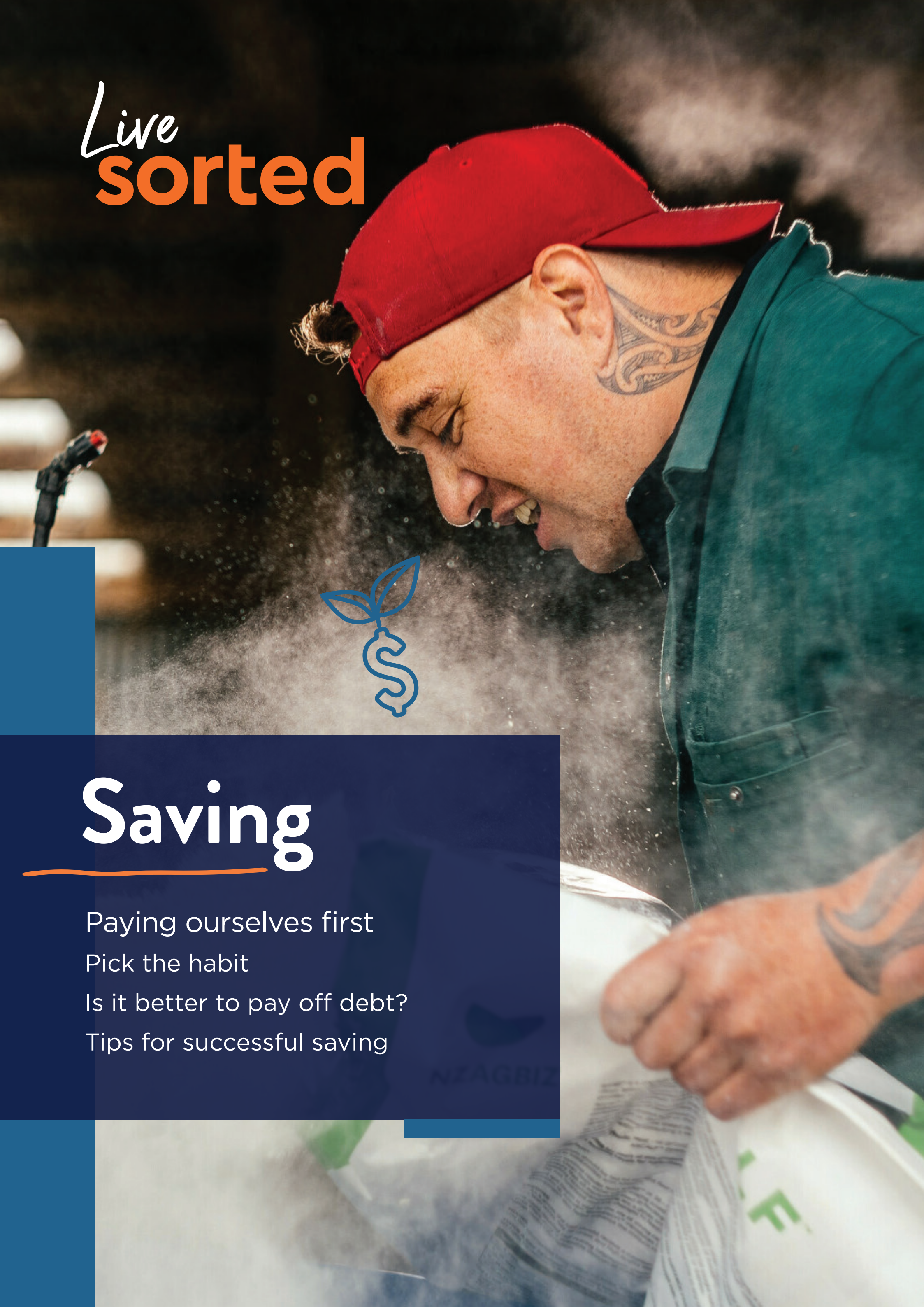

Live sorted

Saving

Paying ourselves first

Pick the habit

Is it better to pay off debt?

Tips for successful saving

Pick the habit

Saving powers you towards reaching your money goals – so you can achieve what's most important to you in life. In most cases it's better to save than to go into debt.

Saving is a great habit to get into, and it's amazing what we can achieve as a result. Having savings frees us up mentally to make better decisions.

Studies show that without savings, we're more likely to worry about money, be more impulsive, give in to temptations, muddle our thinking and risk getting into money troubles.

Saving for emergencies

Having money set aside makes it easier to manage unexpected costs when they crop up. Aiming for three months' worth of expenses is ideal. However, even smaller cash cushions can shield us from those hard knocks that can come along.

Saving for the future

It's never too early to start saving for retirement and preparing for when we'll eventually stop working. It's easy to put off, but squirrelling away even small amounts adds up to a large stash over time.

Check out the tools on **sorted.org.nz** to see just how much. It's surprisingly easy to boost your retirement savings more than $100,000 just by starting early.

KiwiSaver is an easy way to save for retirement, and another way of paying ourselves first. It can also help us save for a deposit on our first home. For more information go to **sorted.org.nz.**

To see how even small savings add up over time, try the savings calculator on **sorted.org.nz**.

Saving for goals

When saving for certain money goals, have your savings in a separate account, possibly one that you don't even see too regularly. Maybe even with a different bank, so that it's out of sight, out of mind.

Use the **Sorted goal planner** to help plan out your money goals.

The best way to save...

Before all the other bills and other expenses get paid each month, we can save money by "paying ourselves first". This makes it much easier than just trying to save whatever's left over at the end of the month.

Even just small amounts can make a big difference and get us ahead.

Paying ourselves an amount that works for our budget is one of the easiest ways to start saving. And by making it automatic, chances are we won't miss the money as it grows in its own separate account.

So each time you're paid, get into the habit of paying yourself first – squirrel some away before it gets spent.

Make a plan

To work out the most you can pay yourself first, you need a plan. That's what a budget essentially is: a plan for your spending and saving – for flowing your money towards where you want it to go.

As you plug your incomings and outgoings into your budget, you can tweak it so it maximises your extra money (your surplus). Keep what makes you happy, then trim to find some savings here and there.

When you do, you'll know how much you can save from every pay. Try Sorted's **budgeting tool** to get started.

Is it better to pay off debt?

With high-interest debt such as payday loans, hire purchase or credit cards, it makes sense to pay them back as fast as possible before starting to save.

That's because the interest the debt is costing us will be far more than the interest we could ever earn on our savings.

However, there are some times when it's good to pay off debt and save at the same time. These include saving for an emergency fund, since we might pay off a credit card but then have to run it right up again because we're not prepared for the unexpected.

Another example is KiwiSaver, where employers and the government contribute to our account as well. Not starting early and contributing regularly means that we'd miss out on all the other money going in to our account. **Sorted.org.nz** lets you see how it works.

When saving seems difficult...

Paying ourselves first makes it much easier to save. The money is out of sight, and even small amounts really add up and can move us forwards to reach our goals.

For example, setting aside $10 a week for just six months means we have a cash cushion of $260 (plus whatever interest we can earn in a savings account). Twenty dollars would already be $520, and $50 a week would mean we have a buffer of $1300 to be ready if, say, the car needs fixing.

Here's the plan

A:
What are we saving for?
(e.g. a trip for the family)

B:
How much do we need?
(e.g. $3,000)

$

C:
How much do we have so far?
(e.g. $700)

$

D: Subtract C from B
That's our savings goal:
(e.g. $3,000-$700 = $2,300)

$

E:
How much can we put aside regularly? (Hint: check the budget.)
(e.g. $100 a week)

$ Weekly Fortnightly Monthly

F: Divide D by E
Here's how long it will take to reach that savings goal:
(e.g. $2,300/100 = 23 weeks)

Weeks Fortnightly Months

G:
What can we do to start?
(e.g. open a savings account and set up an automatic payment that pays us first)

Online tools at sorted.org.nz

Sorted's savings calculator

Enter how much to save and by when, and it works out the rest.

Sam sets savings goals

Sam's at high school. He lives with his parents on a dairy farm and works with his father milking the cows every morning and night.

It's hard work, but he earns good money – about $800 a month, which is a lot more than most of the other kids he goes to school with.

Sam sits down and works out some goals. He singles out two things he'll need serious money for in the next two years.

First, he wants to go with his mate Mike heli-skiing on Mount Cook – that's in six months' time and he'll need $3000.

Second, he wants a car. Not any old bomb, but a decent car worth $10,000. He's patient enough to wait a couple of years to get it.

However, up till now he's been spending most of his wages on gaming and new stereo gear.

So he sets a goal of only spending $20 a week on his gaming and putting $115 a week in a separate account. Using Sorted's savings calculator, he works out that he will have $3000 in six months, and after two years (and after paying for his trip) he will have $11,724 – enough to buy the car he wants.

Successful saving needs to be:

Little and long

When we save regularly, even modest amounts can turn into serious money over time. If we put our savings into an investment, this can earn us even more over time with higher returns.

Check out Sorted's **guide on compound interest** for more information.

Realistic

What's the biggest enemy of savings? Temptation. We're constantly surrounded by lots of things we could buy with our money, instead of putting it away. One way to avoid this trap is to set realistic savings goals from the start and pay ourself first.

Set apart

A separate savings account or fund keeps savings away from everyday money (the account can be set to not show on an Eftpos card or could even be an account at another bank).

Automatic

Automatic payments are easy to set up so the money goes into a savings account on pay day. Alternatively, some employers can set up a salary deduction so the money goes into a savings account or super fund rather than a regular bank account.

Early

The earlier we start saving or investing the more we can take advantage of compound interest. Saving for our future selves in retirement is one of the easiest decisions to put off. But talk to retired people who are now enjoying the benefits of their own savings, and generally they'll say that starting regular saving early was one of the best decisions they ever made.

A habit

We can start small savings even if we are still paying off a loan. This helps us get into the habit of saving and starts to build a cash cushion.

In writing

We're more likely to achieve our savings goals if we put them in writing. There's the savings plan in this booklet or the savings calculator on **sorted.org.nz**.

Live sorted

Where to now?

1. Make a savings plan.
2. Build an emergency fund (aim for three months' expenses).
3. Save for the long term.

Next steps:

e.g. set up an automatic payment into a savings account.

Saving

Notes: