Good Things Start With Saving

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Wealth Management

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At one time in the not-so-distant past, our society was tuned into saving. Putting a portion of a pay cheque away for the future was the ‘norm’. We wouldn’t think of buying something until we had saved up enough cash to pay for it, whether that thing was a car or other consumer good. Only for the rare, big ticket, item such as a home, would we go into debt through a mortgage, etc.

This quaint notion has largely gone by the wayside in today’s society, as we all know. Though seniors sometimes shake their heads with disapproval, younger generations today are more impulsive consumers, paying little heed to any admonishments to ‘wait’ before they spend.

Easy access to credit cards, lines of credit at chartered banks, and other financial instruments, of course, can land individuals in difficulty with debt. Indeed, the credit woes now facing the world’s financial markets can ultimately be traced back to the willingness of individuals to take on (and the willingness of lenders to supply) cheap debt. Missing has been the discipline of today’s seniors who might have asked: “Can we afford this?”

The lack of a saving strategy has implications for investing, of course. Without capital, there can be no investment. And the usual first step to accumulating capital, short of inheriting that of earlier generations, will be saving.

It’s Hard to Save!

Often, those who profess to want to save will protest that it is impossible to do today. Yes, the cost of living today is high, and many people are having a tough time making ends meet. But a realistic examination of how we spend our cash flow each week may offer some ideas on reforming our personal fiscal habits.

Paying Ourselves First

It is interesting that the shift to spending rather than saving occurred during a period when pay cheques and cash flows were relatively high. Sometimes, the problem in saving is a lack of will. Taking a cue from David B. Chilton, author of The Wealthy Barber, first published in 1989 (the all-time Canadian best-seller with over one million copies sold), David Bach (various titles in The Automatic Millionaire series, 2005, Broadway Books) and other authors, consider “paying yourself first”.

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An easy way to do this is to have a part of each pay cheque automatically set aside in a separate account. This can be via payroll deduction at work, an automatic bank account debit, a dollar-cost-averaging investment plan, or similar instrument. The theory: What you don't see, you won't miss (and otherwise spend). How much you divert in this way is up to you, but almost any amount diverted to savings and investment can begin to add up to a sizeable amount in only a few years.

Consider a Budget

This is not to admonish anyone about their spending habits. But just the effort of sitting down and mapping out the family income and expenses each month, without doing anything else, can be revealing.

It will pinpoint out where your money is going — in debt repayment, entertainment costs, daily expenses, commuting costs, whatever. As a result, you may be able to determine areas to emphasize in order to bring spending into better balance.

Cut Consumption

Some minor reductions in consumption can lead to worthwhile savings that can be put towards building an investment portfolio or other worthwhile personal cause.

For example:

- Reducing your take-out coffee each day from two to one. (Possible annual savings: $800 or more)
- Car-pooling to work. (Savings in gas and parking alone could amount to $3,000 per year or more, shared between poolers.)
- Imaginative lunching, perhaps the occasional brown bag or a salad in the park rather than the usual purchased lunch from a restaurant may be less expensive and have health benefits too!

There are many other imaginative ways to increase your savings. With some thought, you can build your own list of possible savings that will fit your life style and circumstances.

Challenge yourself with a goal in this area. You may surprise yourself with what you can achieve.

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