

Three Steps to Saving

Saving is the best way to get the things you want and achieve security and peace of mind. If you establish and follow a savings plan, you will have money available for emergencies or for special purchases. Saving is easy if you take it step by step.

1. The first step is to make the decisions to save and have a goal in mind. Your goal can be to have money for surprises (good or bad) or for something specific you want or need in the future.
2. The next step is to decide how to save. Will you use part of your income (money coming in) or will you reduce your expenses (money going out)?
3. The final step is to establish and stick to a regular savings plan. With discipline, you can do it!

Three Step to Budgeting

Budgeting is the key to managing your personal finances well. Knowing how much you have to spend and where you spend it is critical to your financial growth and success.

1. The first step is to decide what you have to work with, your foundation. You'll look at your sources of income (what comes in), such as your salary and any other money you receive regularly.
2. The next step is to figure out how far your budget needs to go to meet your needs. You'll take a look at expenses (what goes out). Don't forget regular payments like rent or mortgage and also hard-to-track items like food, clothes and transportation.
3. The final step is to take a look at your monthly net (income-expenses=monthly net). Once you know what you have, you can make choices and decisions to revise your budget so it helps you meet your needs more effectively.

Revise Your Budget

After completing the budgeting exercise, you can see how and where you're currently spending your money. Your budget and the monthly net income may bring up the following questions.

- Do you have enough money to pay your regular expenses?
- Do you use credit, and if so – how do you use it?
- Would increasing your income help, even for six months or a year?

- Do you have goals for which you'd like to save, such as vacation or a new car?

If your monthly net is zero or negative or if you have a savings goal in mind, you may want to consider cutting back on expenses or increasing your income. Can you work more and receive overtime pay at your job for the next month or two? Are you able to consider a second job for six months or a year?

It's usually easier to cut back on expenses than to increase income. How can you decrease your expenses? Let's call it "dieting" as a way to balance your budget and live within your means. Spending less is something all of us can learn to do. Let's look at some ways to cut expenses.

Cutting Expenses

Begin by separating your expenses into two categories, can-cut and must-spend. The first category usually includes "wants," items such as entertainment, dining out and clothes. The second category is made up of needs or obligations, which include rent or mortgage payment, car payments, utilities, debt and food.

It may be harder to cut back on needs like housing, so look at the can-cut category first.

- Dining out – Could you bring your lunch to work and eat dinner at home more often.
- Transportation– Can you carpool with a co-worker or take public transportation?
- Managing cash – Keep track of how you spend your cash.
- Telephone – Consider changing how you use your phone service
- Clothes – Are you careful about what you buy and how much you spend?
- Vacations – You may be able to save by taking a shorter vacation

Now look at some possibilities to cut back on your must spend category.

- Buying a car – If you're thinking about buying a car, should you buy new or used? How could you reduce the amount of your monthly payments? Have you looked at different insurance options?
- Housing – If you rent, could you move somewhere less expensive? If you own a home, talk to your loan officer about refinancing. Depending on interest rates for mortgages, you may be able to reduce your monthly mortgage payments.
- Credit – What about monthly payments for credit obligations, beyond house or car payments? Knowing how much debt you can afford is key factor in

budgeting. Ask your loan officer for help identifying ways to consolidate your debt or changing your payment obligations to fit within your budget.