

The road to financial security is paved with the money you save. We all want financial security, but too often we put off starting to save. We think there's too much we need to learn first, or that we can't really afford to save, or we just don't have the time to think about it.

Think of saving money the same way you think of paying a bill. Pay it every month, only send the check to *yourself*. Read these useful tips and then follow **Your To-Do List**. You'll be a saver in no time.

Tip #1: Pay yourself first.

Before you pay your bills every month, put some money aside to pay yourself first, even if it's only a few dollars. The easiest way is to save electronically. Simply ask your bank to transfer money from your checking to your savings account automatically. If you get your salary by direct deposit, ask your employer to send part of your paycheck to your savings account.

Tip #2: Avoid debt: spend less than you make.

Look hard at how much money is coming in each month and how much is going out. If you're spending more than you make, you're piling up debt.

Tip #3: Pay down your debt.

If you have a lot of credit card debt, work on reducing it. If you're paying high finance charges on the debt, for a while you may need to put more money toward reducing the debt than into savings. But once your debt is reduced, put the amount you've been paying on the debt into your savings.

Tip #4: Save for the unexpected.

Unexpected costs can be anything from annoying to financially devastating. Your car might break down, the water heater might fail, or you could lose your job. Stash away three to six months' pay as protection against the unexpected before you start saving for other things.

Tip #5: Always include retirement as a savings goal.

Don't postpone saving for retirement until you're well into your career. Saving enough to afford a comfortable retirement is one of the best investments you can make. The earlier you start saving, the longer your money will have to grow, and the faster you'll reach your goal.

Tip #6: If you have a 401(k), use it.

The easiest way to save is to have money taken out of your paycheck before you have a chance to use it. Try to contribute 10 percent of your pay to your 401(k) plan if you have one. If 10 percent is too steep, start a little lower, but bump it up with every pay raise. If your employer will match your contributions, put in at least enough to earn the full match. If you don't have a 401(k) or other plan from your employer, or if you're self-employed, save for retirement in an IRA, SEP, SIMPLE, or one of the many other types of tax-deferred retirement accounts.

Tip #7: Don't postpone saving until you've mastered investing.

You don't have to be an expert on all types of investments before you start saving for your future. If the idea of picking good investments is overwhelming, just focus on the saving part for now. If you're signing up for a 401(k) and you don't feel comfortable making investment choices immediately, you could start out with a balanced fund (generally a mix of stocks, bonds, and cash) or a target date retirement fund. In a target date fund, your contributions are spread across different types of investments based on how many years you are from retirement, with the

mix becoming more conservative as you age. Revisit your 401(k)—how much you are contributing and how your investments are doing, and make adjustments as you learn more about investing. (See AARP’s Tip Sheet on Mutual Funds to learn about the different types.)

Tip #8: If you can’t find money to save, look again.

Review all of your expenses, and be sure to include the “little” things, like restaurant meals or manicures or video rentals, or the cost of parking your car instead of taking the bus to work. Then look hard for places to save. Pack your lunch a few days a week instead of buying it. Use coupons when you shop. Save your loose change. Instead of buying a cup of coffee every day, try making your own. Replace your credit card with a debit card that limits you to spending what you have rather than borrowing what you don’t. Be creative, and you’ll find ways to save.

Tip #9: Think before you buy.

When you’re about to buy something, stop for a minute and ask yourself if you *really* need it. If you do need it, don’t buy until you’ve done some comparison-shopping. Think about your options.

Tip #10: Set savings goals.

Once you’re in the habit of saving, think about your saving goals—how much you’ll need and how long you have until you’ll need it. The answers to these questions will help you figure out how to invest your money for the best chance of reaching each goal. Remember to *always* include retirement as a savings goal.

There’s no time like the present to start saving. Get going today, and put yourself on a path to financial security.

Your To-Do List:

- If you have access to a 401(k), sign up today.** If you don’t have a 401(k) or similar retirement account at work, open up an Individual Retirement Account (IRA) and contribute to it every year. (See IRA Tip Sheets, Your 401(k) and IRAs.)
- Transfer money from your salary into your savings automatically each month.** Pick an amount you can live with for now, and revisit it once you get used to saving.
- Find ideas for cutting costs** and managing your money at www.aarp.org/finance.
- If you need help with debt problems,** contact the National Foundation for Credit Counseling at 1-800-388-2227, or online at www.nfcc.org.
- If you have a small business or are self-employed,** check out retirement savings options in IRS Publication 3998, “Choosing a Retirement Solution for Your Small Business,” at www.irs.gov/pub/irs/pdf/p3998.

This and other tip sheets provide general financial information; it is not meant to substitute for, or to supersede, professional or legal advice.

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