

LIVING ON A BUDGET - SAVINGS

MORE THAN A RAINY DAY FUND

SAVING MONEY IS A PROACTIVE NOT REACTIVE ACTIVITY

You should plan to allocate a specific portion of your money as Savings each month. Savings includes, but is much more, than the difference between your income and your expenses.

WHETHER YOU ALLOCATE A PERCENTAGE OF YOUR TOTAL INCOME OR SPECIFY A SET DOLLAR AMOUNT, PLAN TO SAVE A PORTION OF YOUR INCOME EACH MONTH

If you do not plan on saving money, you will not save any money.

SAVINGS CAN BE USED FOR THOSE EXPENSES THAT ARE KNOWN, BUT DO NOT NECESSARILY OCCUR MONTHLY: BIRTHDAY GIFTS, ANNUAL VEHICLE REGISTRATIONS, SUBSCRIPTION AND LICENSE RENEWALS

Estimate how much you will spend in a year on these items and then budget one twelfth of this total each month. It is important to be sure to save the amounts that you are under budget each month, because over the course of the year it will even out.

SAVINGS ARE CRUCIAL WHEN UNPLANNED EVENTS AND EMERGENCIES OCCUR: VETERINARY BILLS FOR SICK PETS, AUTOMOBILE REPAIRS, FURNACE REPLACEMENT

If you have enough money set aside for a rainy day, you won't get soaked: how wet you get will depend on how much you were able to save in between emergencies. Many unplanned events are not completely unpredictable: pets get sick, cars eventually require repairs and older appliances need replacing. Estimating and setting aside a small amount of 'just in case' money will help you cover some of the cost when the unexpected does occur.

SAVINGS HELP YOU ACHIEVE YOUR GOALS

If you do not designate a specific allocation of your savings towards your goals it will be swallowed up and depleted by the previous two areas. If you need to save money for tuition, a computer, a vehicle, a holiday, etc, put it aside and draw from it only as a last resort. Have an account, separate from your day to day banking account, into which you deposit your Savings. Use a savings account or a TSFA for your goal money. Some institutes will waive or reduce fees if you have multiple accounts, so check with your bank. One possible scenario is to have a chequing account for your day to day needs, a savings account for the occasion and emergencies expenses, and a TSFA for your goal money.

START AND CONTINUE BUILDING UP YOUR EMERGENCY FUND, ONE STEP AT A TIME

In the short term, start with saving \$500. Keep saving money and you will eventually have enough money to equal or exceed your needs for an entire month. Over time your savings could grow to reach amounts equal to your total needs of a 3 or even 6 month period: it will take time.

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