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# Saving

## Paying ourselves first!

- Pick the habit
- But is it better to pay off debt?
- Tips for successful saving



# Pick the habit

**Saving lets us get what we want – whether it's a new TV, an overseas holiday or a house deposit. 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. Let's keep it simple, make it automatic and watch that money grow!

## **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**.

# Before anything else...

**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.



# 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.

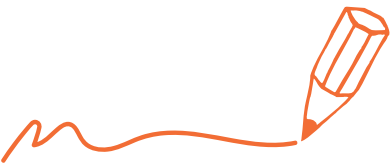
## **If saving seems difficult...**

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



<b>A:</b> What are we saving for? <i>(e.g. a trip for the family)</i>	
<b>B:</b> How much do we need? <i>(e.g. \$3,000)</i>	\$
<b>C:</b> How much do we have so far? <i>(e.g. \$700)</i>	\$
<b>D:</b> Subtract C from B That's our savings goal: <i>(e.g. \$3,000-\$700 = \$2,300)</i>	\$
<b>E:</b> How much can we put aside regularly? (Hint: check the budget.) <i>(e.g. \$100 a week)</i>	\$ Weekly Fortnightly Monthly
<b>F:</b> Divide D by E Here's how long it will take to reach that savings goal: <i>(e.g. \$2,300/100 = 23 weeks)</i>	Weeks Fortnights Months
<b>G:</b> What can we do to start? <i>(e.g. open a savings account and set up an automatic payment that pays us first)</i>	



## Sorted's savings calculator

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

Online tools at [sorted.org.nz](https://sorted.org.nz)

# 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 \$380 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 and his family to Bali (great surf in Bali) – that's in six months' time and he'll need \$2,000.

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

However, Sam is really into his music and up till now he's been spending most of his wages on iTunes downloads and new stereo gear.

So he sets a goal of only spending \$20 a month on his music and putting \$80 a week in a savings account at 3% interest. Using Sorted's savings calculator, he works out that he will have \$2,095 in six months, and after two years (and after paying for his trip) he will have \$6,473 – 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.

## 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 yourself 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

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](https://sorted.org.nz).



## 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.

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**Notes:**