Saving Today for Financial Security Tomorrow

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It's never too early to start saving in effort to achieve financial security. Unfortunately, for many people the future has a tendency to morph into the present faster than they ever thought possible. This translates into years of wasted savings-related opportunities. Don't let the same thing happen to you.

Who Wants to Be a Millionaire?

Believe it or not, it's probably easier to achieve millionaire status than you think. According to MarketWatch.com, simply by saving $2,000 per year for seven years, a 15-year-old is capable of becoming a millionaire at the age of 65. Even more surprising, that same teenager doesn’t have to save another penny after the initial seven-year period, if the money is invested properly. Amazing, isn't it?

Assuming you're older than 15, here's some additional information that may be of interest to you. It's based on the fact that you start with $10,000 to invest and increase your portfolio by seven percent a year.

- Age 25 = approximately $300 per month until retirement age
- Age 35 = approximately $775 per month until retirement age
- Age 45 = approximately $1,850 per month until retirement age
- Age 55 = approximately $5,700 per month until retirement age

Looking at the huge difference between each ten-year increment, it's easy to see why you need to start saving for the future as early as you possibly can.

Continue reading to learn more about some of the best ways to start saving money now. At the end of this report, you'll also be presented with several simple tips to boost your income, in the event you're interested in putting away even more. Let's get started.

Create a Budget

Creating (and sticking to) a reasonable budget is one of the first steps to becoming financially secure. Yes, it’s still possible to save money without a budget. But, you’ll typically find it much easier to save when you have at least a basic outline in place.

Track Your Spending Habits

Many people make the mistake of not tracking their income before they start to put together a budget. This makes the task almost impossible to accomplish. You have to know where your money goes in order to get a handle on your current spending habits. Once you do that, it's much simpler to create a money management plan that you can live with.

It's important to keep in mind that if you don't track your spending, what you're going to end up with is a "wish list" of how you want to spend your money. Unfortunately, it won't take you long to figure out that budgets don’t work that way and that worse yet, you haven’t accomplished anything at all.

Write It Down

Whether you choose to tackle your budget using an app or the old-fashioned way (with pen and paper), don't cut your expenses so much that you take all of the fun out of life. Make sure to earmark money for things like entertainment and occasional splurges. If you don't, you'll probably end up throwing your budget out the window in no time at all.

For example, if you love to eat out and do so quite frequently, don't give it up completely. Tell yourself you'll eat out once a week instead. Or as an alternative, try this. Do an online search, in effort to find copycat recipes of your favorite restaurant meals. You'll probably be surprised by how many are available if you just take the time to look.

What's the point, you ask? Well, when you make these dishes at home, you'll typically save money nine times out of ten. Add this savings to your piggy bank!

The best way to start tracking expenses is to make a list of major categories. Include things like:

- Rent/mortgage payments (also homeowners insurance, general household upkeep, etc.)
- Medical insurance
- Utilities (trash pick-up, water, cell phone, electricity, etc.)
- Car expenses (gas, insurance, car loan, etc.)
- Groceries
- School expenses (school lunches, tuition, fees to play sports, etc.)
- Entertainment
- Personal needs
- Work-related expenses (dues, etc.)
- Credit cards

This is by no means a complete list. Everyone's budget is going to be different. Take the time to think about everything that you're required to pay during a one-month time span. Place each entry under the proper category. Next, figure out how much you spend on each category, within that same 30-day period. If you have any unusual expenses, save time and simply put them under "miscellaneous." You can always go back and make adjustments later.

Define Your Spending

Once you've completed that, it's time to figure out how much money you bring home after taxes. If you don't have enough money to cover everything listed, it's time to make changes. In the event you can't juggle things around to make it work, you need to cut some things out of the budget, consider picking up a side job or come up with another way to make extra cash.

Financial experts recommend that you save 10 percent of your income right off the top, placing it in an IRA or 401(k) for long-term savings. If you prefer something more short term, think about a money market fund or a six-month certificate of deposit.

Regardless of whichever option you choose, the best thing to do is put this money into savings, via direct deposit, each time you get paid. The premise here is if you don't see it, you won't miss it. Makes sense, right? This way, in theory, you actually pay yourself (and your future) first.

They go on to say that 35 percent of your income should be earmarked for housing and utilities. If your living situation allows you to get away with less than that, all the better. Tuck the extra into your savings as well.

If applicable, another 10 percent of your income can be put away for a major purchase such as a new vehicle or your child's (or future child's) education. Depending on what it's for, consider stashing it away in a college savings plan, like a 529 plan or a high interest-bearing account.

If you follow this scenario, you're left with 45 percent of your income, which you can consider as discretionary. It can cover anything else in your budget. The choice is up to you.

Set Goals

Setting financial goals for yourself now is a great way to stay focused on saving money for the future. Many people don't find the motivation to start putting money away, simply because they've never considered what to do with it once they have it.

By the time they actually get around to it, this savings can have so much potential, it makes it more difficult to decide what to do with the accumulated wealth. Don't let this happen to you. Start making decisions today.

Short-term goals can be easy to work out. Simply think about things that you would like to have or invest in, but are just out of reach financially. Once you've reached your goal, set your sights on something else.

While these goals can be purely frivolous, the best short-term goals to set are ones that further your career. Plan to save up for college courses, art supplies, voice lessons, or anything that might help you to make more money in the future.

When it comes to long-term goals, think about what sort of investments or purchases you would make if you suddenly won the lottery. Would you want to stock a garage with sports cars or perhaps bring your dream of running a business to life? If so, these may be long-term financial goals to consider setting for yourself. Remember to keep your financial goals reasonable and avoid setting challenges for yourself that you may not be able to accomplish.

With your long-term goals in place, you can work out a financial plan that lets you achieve these goals as quickly as possible, while still leaving you enough money to focus on your more immediate wants and needs.

You'll know exactly how much to set aside each month and about how long it should take to reach your goal. Depending on the situation, many people try to set aside as much as one-third of their income every month. This can be difficult to do, especially during trying times such as the holidays or the beginning of a new semester. However, saving such a large percentage of your income allows you to bring costly goals within your financial reach.

Take Every Job Seriously

It's important to take every job seriously, regardless of how young you are. You never know what other opportunities (job-related and otherwise) may come along as a result of your early employment. This includes summer jobs.

You learn new skills and gain experience each time you transition into a new position. In addition, one of two things typically happen. Either some of the skills you pick up will be those that are new to you, even if you already have a college degree. Or, if your job description includes tasks like flipping burgers or things that you're already familiar with, you still benefit from things like networking and securing positive employment references.

Regardless of the on-the-job skills you pick up working a job, establishing yourself as a hard worker and as someone who is willing to learn will take you a long way, both on your current job and the next. Better yet, if standing out among your co-workers earns you recognition in the form of a raise, you can then put part of it your savings.

If your boss or supervisor is impressed with you (both your attitude and aptitude), they might be able to help you get a better job in the future. Every potential employer will want to speak to your previous ones. What they hear about you is usually their first impression of you as an employee. Work hard now, to make sure that every first impression is a great one.

Working at a job that gives you exposure to the public also gives you a chance to build a network. For example, a part-time job at a coffee shop could lead to you making friends with business executives who come in on their lunch break, who in turn could put you into contact with people when you are looking for a better job down the line.

Use Your Credit Wisely

Your credit report and credit score follow you throughout most of your life. It's extremely important to do all you can to protect it. Using your credit wisely is one of the best ways to make that happen. If you don't have good credit, you'll be less likely to be financially secure in the future.

If you're just starting out or if you have a thin credit file, you need to build credit. And the only way to accomplish the task is to use credit. At this point, you'll undoubtedly have limited choices when it comes to credit card and loan offers. But, building your credit is all about taking baby steps.

Retail store and gas cards are typically easy to obtain. If you belong to a credit union, a small personal loan might be a possibility.

It's recommended that you make a small purchase on one or two credit cards, per month. Pay any balance in full when due. Not only does this help to build your credit, it also shows potential creditors that you are responsible and a good credit risk.

Over the course of your lifetime, maintaining excellent credit will save you thousands of dollars in interest alone. Good credit is also the determining factor in buying a house and getting a good job in some cases.

There are several mistakes to avoid in regard to your continued creditworthiness. These are the top three:

- Never apply for too many accounts at once. This indicates to the creditors that you are in need of money and trying to open whatever credit card you can get.

- Don't max out your credit cards. Part of your credit score is determined by the amount of credit you have which isn't in use. The lower the total balance of all of your cards combined, the better.

- Closing a credit card account that you no longer use is not recommended. This affects the age of your credit history. You want a report that reflects the longest credit history possible.

Consider Multiple Saving Options

Emergency Fund

Everyone should create an emergency fund of the least $1000. If you feel as though that's not an achievable amount because of your current income level, consider saving at least $500 for emergency purposes. Don't cheat and use this money for anything other than an actual emergency. Dipping into the fund to pay for an unnecessary purchase or to cover a monthly household expense totally defeats its purpose.

U.S. Savings Bonds

U.S. savings bonds don't get as much public recognition as they used to. But, that doesn't mean they're not a viable method of savings. Series EE bonds are a safe investment, backed by the U.S. government.

They are the perfect choice for a major purchase which you plan to make in the not-so-near future. Because you agree to put the bonds in safekeeping (for a minimum period of time), they carry more interest than a traditional savings account. Currently, the minimum purchase is only $25. Countless individuals successfully use them to supplement retirement income.

These bonds can also be used in conjunction with funding your own education. Remember, a proper education is instrumental when it comes to future financial security. Please note that there are a few qualifications to use the bonds in this manner.

Mutual Funds (Low-Fee)

Touching once again on the subject of long-term savings, it's time to mention the low-fee mutual fund. This fund, which works well in conjunction with insured deposits you may have accumulated, is made up of a mixture of managed stocks, bonds and additional non-deposit investments that aren't insured by the FDIC.

The downside of this type of fund is that in exchange for a higher rate of return you must assume the risk of possible loss, if and when the economy takes a turn for the worse.

Health Savings Account

A health savings account or HSA is available to U.S taxpayers who are covered under a high-deductible healthcare plan. The money deposited into this account is excluded from federal income tax when deposited. If these funds aren't used during the calendar year, they roll over to the next year and the next... for an indefinite period of time.

More and more employers are doing their part by stepping in and contributing to these employee savings accounts. There is an annual limit for both single individuals and families. This limit typically increases a little bit every year.

At the time of this writing, these funds can be used to pay for a rather long list of qualified medical expenses. There's no need to worry about a federal tax penalty or liability when you do so. It should be noted, however, that medication cannot be paid with the money in this account without a prescription from a physician.

Looking at this account individually, it may not seem like it has anything to do with saving for your financial future. But, you need to look at it this way: over your lifetime, all of these little savings really do add up.

529 Plan

A 529 plan is a financial plan that offers tax advantages and other incentives to people who are putting a child or grandchild through college. The earnings of a typical 529 plan are not subject to state or federal tax when used to cover tuition, fees and other supplies for the beneficiary. You can name anyone as the beneficiary of a 529 plan, including yourself.

Take Advantage of Online Tools

Today, with so many apps and programs being made available (for free) by their developers, getting help with your savings or personal finances is as easy as checking your phone's app store. But, with so many options available, you might have difficulty deciding which service is best. Don't panic, though - here are two of the most popular choices available.

Mint.com

Mint.com is a free website which uses personal finance software to help track your transactions and give you a clear picture of your finances. Mint links up with your bank accounts and credit cards to track the flow of money through them. It reminds you to pay bills, recommends financial accounts with better rates of interest, and even tells you your credit score.

Buxfer.com

Like Mint, Buxfer makes personal finance software available for free to the public. While the basic version is available at no cost, many more advanced features are available for a monthly fee. Buxfer offers more functionality than Mint; however, it is no longer being supported by its development team and is unlikely to be improved by future updates.

Pay Back Student Loan Early

You've earned your degree. Congratulations are in order! It's never too early to start thinking about paying back your student loan… or is it? You might be surprised to learn that there are both pros and cons to making payments before they're actually due. These are a few of them.

The Pros

Taking care of your student loan early may seem pretty costly as you actually pay it off. But it saves you money in the long run. When you only pay the minimum payment each month, you give the interest more time to accumulate, which adds to what it costs you to pay off the total debt. On the other hand, if you were to pay off your loan debt in full today, you avoid adding anything extra to the bill.

If you keep making student loan payments, you're cutting into your cash flow. Even if your monthly payments are manageable, eliminating them leaves you with more money to use throughout the month.

Early pay-off also lowers your debt-to-income ratio, or the amount of your income you use to eliminate debt. This is helpful when you apply for a loan or mortgage in the future, as lenders take your debt-to-income ratio into consideration before they decide if you are approved.

If you can’t pay off all of your student loan at once, you may still want to consider working to pay it off quicker. Adding even a small amount to each monthly payment can shave months off of your loan term, which leads to you paying less in interest.

This won’t save you any money at first. In fact, paying more each month will have an even bigger impact on your cash flow. But, once the loan is paid off entirely, your finances will return to normal.

The Cons

If you are also working on paying off other debt, such as credit cards or another loan, paying off a student loan in full may not be the best idea. When it comes to eliminating debt, start with the loans with the highest interest rate. The higher a loan’s interest rate, the more expensive it will be over a period of time.

Paying off any credit card debts before you tackle the student loan also has a bigger positive impact on your credit score. That is because student loan debt is a type of installment debt, which means it is made up of fixed payments made over a set period of time.

Credit card debt, on the other hand, is a revolving debt. This means that the debt changes from month to month as you make purchases with (or payments toward) your credit card. Revolving debt lingering on your credit report will lower your score further than installment debt will, especially if you make all of your installment payments on time.

Student loan interest, unlike the interest you pay on other loans, is tax deductible. Paying your debt off in full could mean that you miss out on a deduction at tax time. However, there is a limit to how much of this interest can be deducted, so do a little research to see if this tax break is worth taking into consideration.

Completely paying off your student loan is also not a good idea if doing so would mean spending everything in your savings or emergency fund. While getting those debts paid off will save you money, it’s still important to have money available in case of an emergency. It’s much better to spend a bit extra later than to not have any money when you truly need it.

Tips for Paying Off Your Student Loan

- Add payments. Set aside money halfway through the month that can go toward paying off your loan. While each of these payments don’t have to be as large as a standard monthly payment, try to get them as close to this as possible to see your loan paid off twice as fast.

- Work out a plan. Get out a calculator and work out how much you can pay each month and how soon the entire debt will be repaid. If your financial situation changes (for better or worse), you may want to consider re-working your plan. This way, you know you are putting as much money as possible toward settling your debt. Working out a plan also helps you to establish financial goals and stick to them.

- Look for opportunities to pay toward your debt. Whether it's money from a birthday, holiday or lottery ticket, make sure you pay a bit of your loan off every time you have the chance.

- Set up a college fund. If a predetermined amount of your income is placed into an account automatically, it forces you to stick with the plan you've laid out. Just be sure that any money that makes it into your college fund is used solely to pay off your debt.

- Find a part-time job during college. Not only will this be an excellent source of income you can use to pay off your debt, you'll also be building your résumé and getting some work experience. Some jobs may even offer special student loan repayment programs. Make sure you don't work too hard, though. Keep your classes and study schedule in mind as you seek employment.

- Stay focused. It can be very difficult to be disciplined when it comes to spending habits, especially during college. Stay away from the traps that others fall into while trying to save. Don't make a habit of expensive indulgences like takeout or cappuccino.

- Keep your costs low. Spend as little money as possible from day to day so that you can free up some cash that you can put toward paying off your debt.

Stay Healthy

Fewer trips to the doctor means less money spent on co-pays, transportation and prescription costs. By keeping yourself healthy, you can save money that can then be added to your savings. Here's some advice on keeping your number of hospital trips to a minimum.

Maintain a Healthy Diet

The foods that you eat have a profound effect on your wellbeing. In order to keep your body in top shape, it's important that you eat a balanced, nutrient-rich diet. Of course, every person has different nutritional needs and preferences. But, here are a few dietary guidelines you can follow to keep yourself feeling healthy.

- Adding fruits and vegetables to any meal is a great way to include plenty of nutrients. Dark, leafy greens work well in many dishes and are great for energy and heart health.

- Make sure you include a source of protein in your diet. Whether you decide to get your protein from an animal or non-animal source, it's important that you consume an adequate amount of protein every day. Most adults need 40-60 grams of protein each day, which is as much as about four eggs or three cups of beans.

- Your body needs water for each and every one of its processes. Try to drink at least eight full glasses of water a day and even more if it is a hot day or if you are planning on strenuous activity.

Get Some Exercise

Engaging in even a half an hour a day of strength training or cardiovascular exercise keeps you feeling fit, strong and healthy. Try jogging, stretching or lifting on a regular basis. Increase the amount you do over time.

All of the physical activity will leave your body feeling refreshed and full of energy, even if it does seem strenuous when you're starting out. Not only will exercise save you money by keeping out of the doctor's office, you may discover a fun, healthy hobby that could save you money on movie tickets or other entertainment costs.

Don't Skip Sleeping

According to the U.S. Centers for Disease Control and Prevention, 30 percent of American adults aren't getting enough sleep. On average, adults need 7-8 hours of sleep each night, though many sleep for less than six.

Make sure that you're getting enough sleep each night and that you are sleeping at a consistent time. Sticking to a constant sleep schedule helps ensure that you are able to get restful sleep each night and that you feel refreshed and energized throughout the next day.

Income-Boosting Tips

Collectively, there are hundreds of ways to boost someone's income. Remember, as the old adage goes… "Every little bit helps." Here are several things to consider.

- Rent out a room or garage. While sharing living space may not be an appealing option for everyone, you have the option of turning that empty room into a source of income.

- Sell unused/unwanted items. Not only will this bring in some extra cash, it will also free up some of your storage space.

- Take on a bit of overtime at work, if any extra hours are available.

Say Yes to Moonlighting

Getting a second (or third) job is an excellent way to save money for the future. According to the Bureau of Labor Statistics, millions of individuals take on at least one extra job every year. That, in itself, is proof that moonlighting really works.

If you feel as though you already spend too many hours away from home, consider looking for a remote position. Things have changed in the past few years. Legitimate work-from-home jobs are more plentiful than ever before. Of course, there will always be scams to watch out for. But, with proper research you shouldn't run into difficulty. If you have customer service or computer skills, it may be easier to snag a part-time gig than you think.

Another option is to start your own mini business. Do you have a hobby or interest that you especially enjoy? There’s nothing stopping you from turning that passion into extra income. Start thinking about possibilities today.

52-Week Savings Challenge

The subject of the 52-Week Saving Challenge typically gets covered on a huge number of blogs at the end of every year. Many people decide to start this challenge as a fun New Year's resolution. However, you can begin any week of the year and still end up with the same results... an extra $1,378 in your bank account.

This is how it works. The first week you start to save, you save $1. The second week, $2. The third week, $3. Repeat this the entire year, ending with a $52 deposit the last week of the challenge.

If you have extra money, this challenge is something you can get a little bit creative with. There's absolutely no reason you can't start with a higher deposit, week number one. Challenge your partner or another family member to see which of you can save the most.

Are you more of a visual person? If so, it's easy to print out one of many charts available on the internet. It's a great way to keep track of how much you saved and how close you are to meeting the challenge.

Save All of Your Change

It might sound silly to tell you that saving all of your pocket change actually helps in securing a brighter financial future. But, if you do so consistently, it really works. Obviously, it's hard to tackle this job if you usually pay with a debit card. However, if you pay for lots of things with cash, this easy method of saving is something to think about.

If you're serious about this, it's best to find a large container with an opening just big enough to accommodate a quarter. This helps to eliminate the temptation of delving into your stash when you only need a few bucks... think Starbucks or a late-night fast food run.

It's up to you to decide whether or not you want to save pennies along with silver. Because pennies take a lot longer to accumulate, many people just go with nickels, dimes and quarters. You can even fold up paper money to fit through the opening, if you're so inclined. When the container of your choosing is full, it’s time to take it to the bank!

The information provided in this report is just the tip of the iceberg when it comes to saving money for your future. But, it’s meant to give you some place to start. How much effort you want to put into it is completely up to you.

Obviously, no one has an exact idea of what the economy will be like ten, twenty or thirty years from now. Any since money doesn’t grow on trees, you have to take control of your financial future. Good luck and happy saving!