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Federal Lender Code 834241

America's Top Student Loan Consolidator

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Money Management Basics, Part 7

Everyone wants to have more money, but not everyone wants to save more money. Yet the two go hand in hand. It's critically important that you learn how to budget and set aside money on a regular basis, because otherwise you're destined to constantly be broke and in debt. And who wants that?

Developing the discipline necessary to save money in the here and now – despite all the other things competing for your cash – may be one of the single biggest factors in determining whether or not you'll live a wealthy, financially prosperous life. Without saving, you'll always be in the hole. You'll always be forced to pay for big-ticket items with credit. You'll miss out on the opportunity to let time work on your side, and you'll forgo the benefit of compounded interest. Do you realize that saving just a little bit of money now – and I'm talking \$10 a week if that's all you can spare – can actually reap huge financial benefits down the road? Ideally, you'll want to build up a three-month cash cushion. This means that you should have a savings safety net that is equal to three times your normal monthly expenses.

How Much to Save?

Try to save 10 percent of your take-home pay each month. If you can save 10 percent of your gross salary, that's even better. However, just because you may not be able to afford to save at the 10 percent level, that doesn't mean you should forgo saving altogether. Set aside whatever amount of money you can afford on a regularly basis (weekly, biweekly, or monthly) until you amass three months' worth of expenses.

Example of a Savings Target:

Monthly Bills: \$3,000

Savings Goal: \$9,000

You won't accumulate a three-month cash cushion overnight. But if you sock away money from every paycheck, little by little your savings account will grow.

Saving money regularly allows you to build up a cash cushion that protects you against the inevitable blows that we all face in life – things like getting a pink slip from your employer or dealing with a car with mechanical problems. Imagine how much stress and financial trouble you'd be in if you were totally reliant upon that job, or completely dependent upon that car to get to work? If you were out of a job, how long could you last without that steady paycheck?

Many of you have problems making ends meet right now, even with that paycheck coming in every two weeks. So if you didn't work for, say, a month or two – or possibly longer, if you were

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trying to find a new job – what would it mean for you and your family? How would you live, survive, and pay your ongoing bills if you didn't have some savings set aside?

Trust me when I say that it's in your long-term best interests to put away some money for unexpected events in the future. Call it a rainy-day fund or whatever you'd like. But take the time to establish a "hands-off" account that you don't touch. The goal is to only put money into that account, not drain it for any number of reasons. You only take money out of that savings account for true emergencies, or to pay for things that you've budgeted, planned, and saved up to purchase.