

Saving Strategy: Pay Yourself First

Wishing for more Savings?

Paying yourself first is a simple but effective strategy for saving up for your long-term goals.

How it works

As soon as you get paid, put money into your savings account first. Set aside a portion of your income to save before you pay bills or buy groceries—the size of that contribution is up to you (\$100 is a great starting point), but even small amounts will add up over time.

The benefits of paying yourself first:

- **You get in the habit:** When you pay yourself first, you get used to saving regularly. You begin to treat your savings with the same importance and priority as a bill—it's an essential part of your financial well-being and not just a "nice-to-have."
- **You can spend guilt-free:** Paying yourself first means you've contributed to your savings goals before allocating your spending money. The result: you get to shop without worrying that you may be shortchanging your long-term goals.
- **You'll be ready for rainy days:** Saving regularly is your best defense against the curveballs that life will throw at you. Paying yourself first means that you won't be scrambling the next time you have to pay an emergency expense.
- **You don't need to rely on willpower alone:** In the moment, it's easy to justify spending rather than saving. By paying yourself first, you sidestep the endless internal struggle and take the pressure off your self-control.

- **You get to see progress:** Watching the numbers rise beside your savings goals feels great. Incremental progress makes you feel engaged and boosts motivation. This often translates into even more savings progress!
- **Did you know:** Paying yourself first is a strategy you can pair with any savings goal—examples include emergency fund savings, retirement savings, saving for a down payment for real estate or even saving up for travel!

Automate your savings

Put your savings plan on autopilot with these tips:

- **Paycheck deductions:** Take advantage of any retirement savings plans offered through your employer
- **Direct deposit:** See if you can have a portion of your paycheck deposited directly into your savings account
- **Automatic transfers:** Schedule a repeating automatic transfer from your checking account to your savings account
- **Automatic bill pay:** Avoid late fees and missed payments by signing up for automatic bill pay for your regular expenses

Sources: Investopedia, Harvard Business Publishing