

Foresters Guide to Strategic Saving

We all dream about wanting more in life, whether it's a new car, a bigger garden or a second home in the sunshine. And, with a strategic approach to saving, these dreams could become reality...



Saving money is one of those tasks that really is so much easier said than done. It's not just about spending less money, it's also about planning wisely how much you should be saving, where you will put your money and how long for, and being clear about what you want for your future.

But it needn't be a headache – if you consider the long term and set yourself realistic targets. As long as you do this, whatever you are aiming for could be well within your reach.

TOP TIP
Put all your coin change in a jar – it may not look like a lot, but when it builds up over time it can really add to your savings pot.



Set savings goals

- 1 Establish your goals** ⇒ ✓ First, establish what your short, mid and long-term personal financial goals are. These can range from saving up for a new TV or holiday, to putting enough away for retirement or a child's university fees.
- 2 Prioritise your goals** ⇒ ✓ Once you've decided on your priorities, rank them in order of importance and think about how long you'll need to be saving for to achieve them.
- 3 Be realistic** ⇒ ✓ Be realistic about the long term – although retirement may be many years away for some, your savings needs will depend greatly on the lifestyle you want to lead once you do finish work.
- 4 Save monthly** ⇒ ✓ Finally, work out how much you'll need to save per month in order to reach these goals. The important thing is to have a set of realistic aims that you can work towards, and not be overly ambitious.



Find the right savings plan

Now you've established what you want to save for, it's time to think about what savings plan might be best for you.

Important things to bear in mind here are whether you want to add regular payments to your savings, how quickly you'd like your money back, how much you hope to save and whether you can afford to accept some risk, which could result in a higher (or lower) return.

A NISA, for example, is something that all savvy savers should consider, letting you save your annual NISA allowance free of capital gains and income tax in a flexible way each year.

Meanwhile, if you are happy to lock away your money for a fixed amount of time of 5 to 10 years or more, it may be worth looking into other options such as Investment Bonds, into which you can invest a cash sum that will hopefully accrue some growth over the years (although this cannot be guaranteed).

There is the chance that you may not get back what you pay into an Investment Bond or Stocks & Shares NISA dependent on the length of time you invest for and the market conditions when you access your money. Please be aware that tax rules may change in the future and will depend on individual circumstances.

Create an emergency fund

Another thing to consider, as well as your own personal savings goals, is setting aside enough money in case of unexpected situations. What would happen if something went wrong and you couldn't work for months, for example, or you receive a large bill that you need to pay straight away?

Consider putting some money away each month which you can have access to in case of an emergency.

Aim to be debt free

- Getting rid of your debt is obviously the best way to free up money – and the sooner you pay off debt, the less interest you will pay, so this money can be saved instead.
- One way to achieve this is to stop using credit cards. It's so easy to overspend with them as you don't know exactly how much money you've got – at least with cash you can see when you're running low.
- If you do use credit cards, use them responsibly. Maybe put them aside in a safe place so they're not in your everyday wallet or purse, and try your hardest to pay the full balance off each month.

TOP TIP

Try putting your credit card in a plastic pot, filling it with water and then putting it in the freezer. Then, every time you're tempted to buy something with it, you will have to defrost it first. By the time the ice has melted you may have reconsidered buying the item you were looking at.

Track and trim

Of course, everyday costs can add up to astonishing amounts, so in order to be a successful saver it's vital that you take control of your outgoings. One of the easiest ways to start doing this is to adopt the track and trim approach.

Write down everything

- Write down everything you spend your money on for a whole month. Be as detailed as possible, and place each payment in a category, such as rent/mortgage, insurance, car expenses, utilities, food, clothes, everyday essentials.

Get in the habit

- Get into the habit of recording your spending at the end of the day, or at the end of every week, rather than right at the end of the month so you don't miss anything and it's quick and easy to note down.

Analyse your spending

- Once you've got into the habit of recording your daily spending, take a good, hard look at everything you spend each day. Some of the costs may surprise you and you'll probably see some obvious cuts that you can make.

Think about your priorities

- You may have to make some difficult decisions, depending on how much you want to save. Think about your priorities, and make cuts that you can live with. Working out just how much cutting back on these things would save you in a year can often be a good motivation.

Be true to yourself

The other essential thing on the path to successful saving is to be realistic. If cutting down in order to reach your monthly savings objectives means going without breakfast for four days a week or walking around by candlelight, for example, it's time to take a serious look at your goals and the time frame you've set for achieving them!

Finally, don't get discouraged and give up. Believe in your goals and exercise self control when it comes to cutting back. Good things come to those who wait – and just imagine how fulfilling it will be when you finally get what you've set out to achieve.



Conclusion

- Establish your financial goals and rank them by importance to you.**
You need to decide what you want to save for and how much you can afford to put aside each month in order to reach these goals. Remember to be realistic when setting your targets and deciding how much you can save.
- Decide what savings plan might suit you best; do you need a flexible savings plan or one that will lock away your money for the long-term?**
Remember to consider how much you can afford to save, and if you will need access to your money throughout the term of the plan, and don't get discouraged if it takes a little longer than you expected.
- Be prepared and reduce your debt.**
As well as establishing your savings goals, you may need to consider putting some money aside each month that you can access in an emergency if necessary. Also try to pay off your debt which could help you free up money.
- Take control of your outgoings and reduce the amount of unnecessary spending you have.**
For example could you make your morning coffee rather than buying one everyday? You may also want to think about not using your credit cards for daily spending, this can be an easy way to overspend as you are not as aware of your limits as you are with cash.

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