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FP summer school: 22 savvy savings strategies to help you reach your goals



MELISSA LEONG | July 12, 2014 7:45 AM ET

More from Melissa Leong | @lisleong



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3 out of 4 Millionaires Drop Stocks

According to a recent survey of millionaire investors, 77% of high net worth investors see the best investment opportunity outside of stocks.



Chloe Cushman/Financial Post

Summer school isn't a punishment. Think of it as a second chance or bonus education. But instead of improving your GPA, we will help you improve your credit score. That might mean repairing your finances with better saving, earning more money, paying less taxes or getting smart with your investments.

This week: Savvy savings strategies 101

It's not gold, bonds, a bank CD, or something else you've probably ever invested in before. But it has created more than a few billionaires.

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Course description: Saving money can be hard. It involves discipline, sacrifice and planning. It involves putting aside today's wants for future needs.

For motivation, think of the big picture, think about your goals, whether you're saving for a home, education, retirement or a vacation, says Cynthia Caskey, vice-president of TD Wealth Private Investment Advice. "It's like planning a trip, without a destination in mind, how are you going to pack?"

It needs to become a habit.

"I think of saving like a muscle, the more you use it, the more repetitive it is, the more it becomes part of your routine."

So how should you make it a part of your routine? Save 15% of your income? Save coins in jars? Here are 22 saving strategies to help you reach your goals.

Save your leftovers. A lot of us do this by default. We wait until the end of the month, after money has been sucked away for rent or mortgages or insurance or car payments or debt interest payments, etc. and anything that is left over goes towards our longer-term goals.

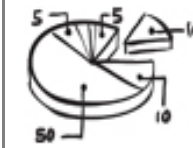
I liken this to absentmindedly reaching into the chip bowl at the end of a party and finding only crumbs. Do you have any leftovers?

To avoid disappointment, the majority of financial experts will tell you to **make your savings automatic**. What? Do they not trust us with our own money?

Well, judgment aside, research finds that most people are not active savers. We have as much eagerness about boosting savings as we do about cleaning a drain or peeling a sack of potatoes.

[How to be a Millionaire](#)

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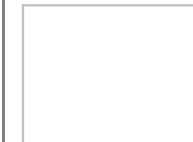
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Columns by Jamie Golombek and other contributors

But if you set up a system where money is automatically transferred from your chequing account into a savings/investment account, you won't be tempted to spend what isn't available.

“Let's imagine that the government says, 'We're not going to withhold taxes at source; we're just going to give you one bill.' If your tax bill at the end of the year was \$20,000, most people would freak out,” says Preet Banerjee, personal finance commenter. “The only way that they're able to pay whatever they are owing in income tax for the year is because it was made automatic. They never even saw it. It was out of sight, out of mind.”

If you need more help with forced savings, **overpay your taxes**. When Mr. Banerjee started his first job out of university, his employer gave him a TD1 form to fill out to determine how much income tax would be deducted from his pay. “I decided to ask for more income tax to be withheld at source. Not because I was going to owe more tax but it was a forced savings. You get it in the form of a bigger tax refund,” he says. “I knew that if it hit my bank account, I'd spend it.”

Now if the idea of giving the government an interest-free loan ticks you off, diligently **set aside a certain amount every month**. How much should you be putting away?

Financial planning company LearnVe\$t suggests using **the 50/20/30 rule**: 50% of your paycheque should go to essentials (housing, food), 30% should go to lifestyle choices (cable, entertainment), and 20% should go to money priorities (debt payments, retirement contributions, emergency savings, etc.).

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[FP Personal Finance](#)

You've graduated. Now, where should you live and work to jump start your earning power?

Finance guru Suze Orman says you should **save 15% of your gross income** for retirement and then **25%** when you hit your forties.

Asset management firm Fidelity uses this rule of thumb for retirement savings: **Save at least eight times your ending salary.** How to get there? Try to have at least as much as your current salary saved by 35. Have three times your salary saved by 45, then at least five times by 55. (Fidelity analysts assumed you started saving at age 25, will retire at 67, will live until 92 and you'll spend 85% of your salary in retirement.) Of course, if you've started earlier or you retire later or generate high investment returns, etc., these factors affect how much you really need to retire.



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6 Stocks to Hold Forever

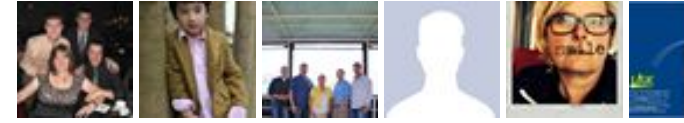
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These 6 stocks put your retirement portfolio ahead of the income game.

But rules with exact numbers — “Everyone should save 10% of her income” — can be like saying everyone could stand to lose exactly 10 pounds to be healthier. It just depends. **Just make it a habit.** “That 10% number shouldn't be your financial plan,” Mr. Banerjee says. “That's not going to mean that now you don't have to think about saving for the future and your retirement portfolio because you're saving 10%...People should save 10% so that it becomes a habit so



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that they become life-long savers.”

Create a more personalized plan and save just enough. Figure out a dollar figure for your retirement or your children’s education and work backwards. With retirement, for example, online calculators help you determine how much you’ll need, adjusted for inflation, etc. Or consider seeing a financial planner who can help you with the math.

“If you invest more today, you’re denying yourself more today when you don’t need to,” says Scott Plaskett, a certified financial planner and CEO of Ironshield Financial Planning.

If thinking about how much you’ll need to have saved for retirement feels like you’re staring down a tsunami, strive to leap over the little waves first. Instead of figuring how much you need at retirement, **establish bite-sized milestones** such as figuring how long it’ll take you to save \$1,000. “It’s like a super mini financial plan for the next year,” Mr. Banerjee says. “Maybe you have a couple of grand in the bank then your next goal is \$5,000 or \$10,000. Those milestones will be much more tangible to people because saving a million bucks for retirement is so abstract and not tangible so there’s no buy into it.”

Save for school using an RESP. Contribute at least \$2,500 a year to get the maximum federal government grant of \$500 (the government matches 20% of the first \$2,500 contributed each year for eligible children to a lifetime limit of \$7,200).

See a blue bill? Put it away! Every time you get a \$5 bill, put it in the jar or an envelope.

Get your bank to help you save while you spend. Banks such as Scotiabank and TD Canada Trust allow you to round up or set an amount to be added to each debit card

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transaction. TD Canada Trust has a program called “Simply Save.” Every time you buy something with your debit card, a set amount from \$0.50 to \$5 is automatically transferred to your savings account. Meanwhile Scotiabank has “Bank the Rest” which allows you to round up your purchases to the next multiple of \$1 or \$5 and the difference goes into your savings account. “I had set this up years ago and I had them round up to the nearest \$5,” Mr. Banerjee says. “After six months, there was a couple of hundred bucks just sitting there in a high interest savings account.”

Often, the more you make, the more you spend. **If you get that much-deserved raise**, before you’ve had time to adjust to your new higher income lifestyle, **sock that extra money away**.

Pay down your mortgage. Your primary resident is a tax-free investment and putting money toward the mortgage is another form of forced savings. However, note that you’re putting your money into an illiquid asset, Mr. Plaskett says. “I like the idea in the sense that you’re increasing your net worth but the challenge with that is that you do run the risk of [being] equity rich and cash poor.”

Invest your savings. Ms. Orman says a general rule, subtract your age from 100 and put that percentage of your retirement savings in stocks while the rest goes into safer investments such as bonds.

As for non-retirement savings, figure out when you’re going to need the money and whether you can emotionally withstand a drop in your portfolio.

Use your tax-free savings account. Including the contribution room from 2009 to 2014, you can contribute up to \$31,000 if you haven’t opened one as yet. Consider putting your asset with the highest risk into a TFSA, Mr. Plaskett says.

Make your RRSP contribution do double duty by taking any refund that you

receive and throwing it at your savings goals like the big money bomb that it is.

Look for opportunities where someone is going to match you or give you an extra benefit. Understand what your employer benefits are: does your company match RRSP contributions, for example?

Use technology to boost your savings behaviour. Programs like Mint.com aggregate all of your financial transactions and help you create budgets and goals.

Start a savings group. It's like a book club but with less books and hopefully more wine and it works. A study of Chilean entrepreneurs revealed that those who reported to a weekly peer group deposited 3.5 times more often into their savings account than those without peer support.

Tackle your debt. Debt is one of the top reasons why people don't save. So pay off the debt with the highest interest rate or visit your financial institution to see if you can consolidate your debts and pay a lower rate. This will give you more money with which to save.

HOMEWORK (one thing to do this week): Set up an automatic savings plan for any specific goal. If you've already done so, go looking for extra money. How? Take a peek at your monthly bills or bank/credit card statements. Trim something. Maybe it's cable. Maybe it's your Monday trip to the food court for lunch. Then add that amount, even if it's \$20 a month to your automatic savings plan, so you don't spend it elsewhere.

READING LIST: Stop Over-Thinking Your Money! By Preet Banerjee and The Wealthy Barber Returns by David Chilton.

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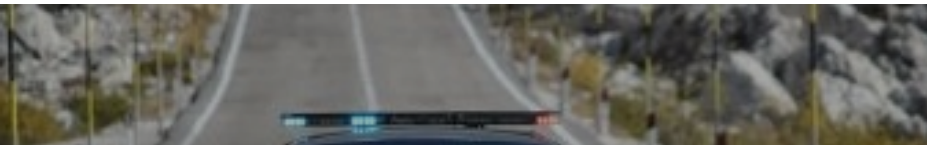
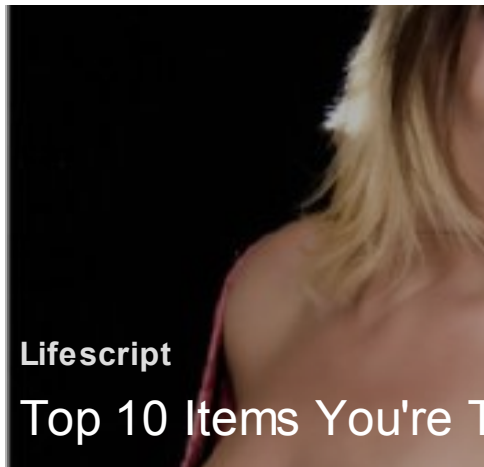
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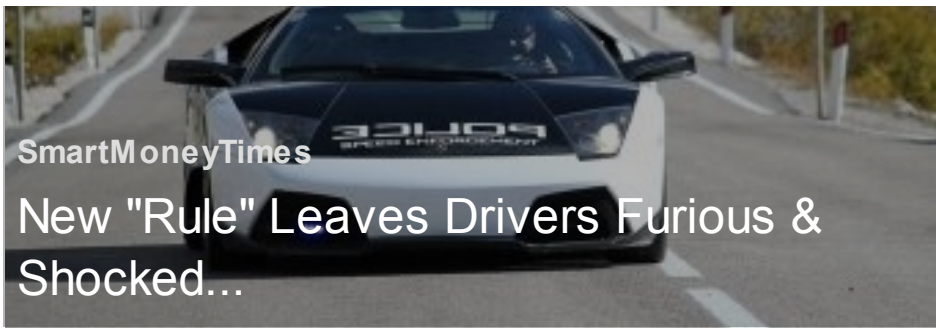
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L_O_L · a day ago

And I can Do all this on minimum wage. Thank god I didn't think I could afford to retire b

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keith · 2 days ago

Cars and restaurants are the reason people don't reach their goals.10,15,20% of incom
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agirl · 3 days ago

Suzie Ormiston's advice is stupid and unrealistic. To save 25 percent of a gross salary impossible. An average family earning, say \$150,000 per year will pay \$65,000 per year percent of \$150,000 is \$35,000. That would leave \$50,000 total to live on during the month of a family's life. Not much more than 4K a month for groceries, clothes, mortgage or rent, certainly a ludicrous suggestion to make to a Canadian.

2 ^ | v · Reply · Share ›



PaidConservativeSupporter#64 → agirl · 2 days ago

It's bizarre to suggest you can't raise a family on 4 grand NET a month. Millions the median family income works out to somewhere around that very number after doing just fine on quite a bit less than even that.

7 ^ | v · Reply · Share ›



cacl → PaidConservativeSupporter#64 · 2 days ago

Well, I have three kids and my wife and I certainly don't make anywhere near that but we've done just fine. I have never been happier and I got rid of all of the possessions that were holding me down. Honestly, I think most people have lost touch with "nice to have" things and are maxing them out.

7 ^ | v · Reply · Share ›



Change_Needed → PaidConservativeSupporter#64 · a day ago

Many times I do not agree with you but in this case I agree with you fully. Most people can have a home and all things described above for a lot less than 4 grand a month, if done wisely but it can be achieved.

1 ^ | v · Reply · Share ›



agirl → Change_Needed · a day ago

Recognizing the fact that most jobs in Canada are in urban centers, you can't just buy a home, buy groceries and toiletries and send a kid to university for \$1000 a month? It is a catch 22 - if you live in the city, rent takes 100 percent of your income.

live in the city, the kid would have to live away from home for school in the city, summer jobs are scarce and don't pay enough for tuition. Anyway, to live on 1/4 to 1/3 of your income every year. What do you think we should do?

^ | v · Reply · Share ›



agirl → PaidConservativeSupporter#64 · 20 hours ago

Okay, I will use the average family income which will demonstrate even that is.

According to the Fraser Institute, the average family earned about \$75,000 per year. After 20 percent of that in taxes. That leaves \$43,500 approx for the year. If that family has 4 children of their gross - \$18,750 - that would leave \$2,450 approx per month to live in Scarborough, Toronto, which is the cheapest area in the city to live in, the average cost of a bedroom family home is \$1887.63 with utilities on top of \$166.34 - \$2053.97 including cell phone, computers, landline - nothing. That leaves about \$400 else. Assuming that a couple in their 40's would typically have 2 teenage children, the costs. A metropass alone - no cars in this family - costs \$128.50 per month for 4. Thus, no money for luxuries like food and clothes.

So talking about how we can all live more simply bla bla bla is just nonsense. It would put middle income families into stark poverty if they believed that.

^ | v · Reply · Share ›



PaidConservativeSupporter#64 → agirl · 19 hours ago

An "average" family with dual incomes will split their earnings and pay taxes, and if they're saving heavily won't pay much HST.. the Fraser Institute notoriously overstated, as an anti-tax lobby group they have an agenda. In the 40s they probably purchased their house 15 years before for 50% off.

That right there frees up 1500 dollars a month for groceries, food

^ | v · Reply · Share ›



agirl → PaidConservativeSupporter#64 · 17 hours ago

Agree about the Fraser Institute. However, if both are working and have to consider child care - yet another expense that can be in the month very easily. That would have taken up the \$1500 from inflation you mean that HST is low because they aren't buying much?

^ | v · Reply · Share ›



TonyT2 → agirl · a day ago

Suze Orman is an American commentator, so her advice is much more realistic. In Washington state where there is no state income tax, it's pretty darn easy to save.

I agree that in Canada it's a lot more difficult, and requires substantial discipline. It's impossible, but it's worth striving for. Otherwise it's hard to imagine how the nurse can have a comfortable retirement, unless you've got a public pension.

3 ^ | v · Reply · Share ›



Master of my Domain → agirl · 2 days ago

\$65K. With a non-working spouse and 2 children, you are half of \$65K in taxes per month, and she is asking you to save \$3K per month and live on more than \$6K per month in today's world where we need a \$1 million home, 2 cars, etc.

2 ^ | v · Reply · Share ›



Change_Needed → agirl · a day ago

It is people like you, spending beyond your means, that are keeping the credit cards full.

If you refer to 'an average family' as a family of two parents and two children, a family that has to have a home, mortgage, groceries, clothes and childrens' activities, as well as a car.

You have to know what you are doing and do it well. It takes time and planning but you have to be willing to make your own food instead of eating out all day long.

Some people are paying for food and/or coffee from the time they leave their homes.

Some people are paying for food and/or coffee from the time they leave their home and not get back home at night. All the Tim's coffee, doughnuts, bagels and other restaurant items cost more than if you made your own food but many people think they do not have the choice.

^ | v · Reply · Share ›



agirl → Change_Needed · a day ago

Fascinating to hear your opinion about my life. I live far below my means and have been in debt years ago. I almost never eat out and haven't bought a Tim's coffee in years. I am a great admirer of Gail Vaz-Oxlade. I am very very frugal. However, the fact that the math in this case doesn't work in Canada, given our very

5 ^ | v · Reply · Share ›



Lorraine · 19 hours ago

I'm on the drop dead while still working at age 85 plan....good thing I love my job!

^ | v · Reply · Share ›



muni per · a day ago

Paying more income tax than needed is financial nonsense.

In effect, you are giving an interest free loan to the Govt.

To add to this some persons think a tax refund is like a lotto win and splurge it.

A better strategy is to pay the least taxes legally allowed and save the rest .

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JuanRBurt · a day ago

Google is paying 80\$ per hour! Work for few hours and have more time with friends. I got a great new Land Rover Range Rover from having earned \$4151 this last financial year. It sounds unbelievable but you won't forgive yours

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vernamchurch · a day ago

my Aunty

Allison recently got a nice 6 month old Jaguar by working from a macbook. this website

^ | v · Reply · Share ›



Guest · 2 days ago

I have the #1 way universities kids can save.. grow your own, had I been doing that until NO I don't regret it for god's sake :)--* just sayin...

^ | v · Reply · Share ›



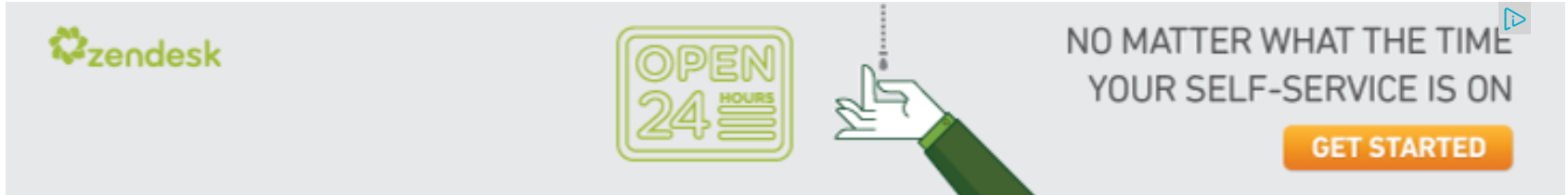
Andrew → Guest · 3 hours ago

It's affected your brain.

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