

Putting Money Away (Paying Yourself First) When There's Nothing Left To Save

From our partner, cuContent



You've read it a million times if you've read it once. Put money away. Save 10% of your income. Fund your 401(k) plan. Pay yourself first. Establish a nest egg. Spend less than you earn.

But what if you can't?

What if you simply don't make it from one paycheck to the next on a month-by-month basis?

How are you supposed to save when there isn't enough money to pay the bills in the first place?

There's no easy answer to this question, but here are several solutions, depending upon what's holding you back. In an honest moment, ask yourself which of the solutions apply to your situation. Once you've figured that out, it's just a matter of taking the steps to resolve whatever it is that's making it impossible to save. In every case, you can pay yourself first. As it is with many of life's solutions, the answer may be simple, but it's never easy.

1. Too much spent on little things. That overpriced coffee in the morning or lunch at McDonald's three times a week really makes a difference. A small hole can sink a big ship. If pocket-change spending is robbing you of long-term security, keep track of your spending — all of your spending — for seven consecutive days. If you don't like what you see, take 10% off the top before anything else, pay all your bills and give yourself some pocket money from whatever is left over.

2. Too much spent on big things. Perhaps you're careful with the day-to-day expenses, but are carrying a huge mortgage on a house that's now too large for your needs ... or perhaps it always was. Maybe your insurance could be much cheaper, but you haven't reevaluated the options in years. Take a look at the big expenses and see if you can find unnecessary (but maybe very much desired) holes in the ship.

3. Lack of organization. Has it been so long since you last balanced the checkbook that you're not sure what percentage of your income is going toward groceries and what percentage toward fun? It's time to get organized. Find a system that works for you and get

it together. You may find that once you're organized, your problem is in a different category. But you won't know that until you get your ducks in a row.

4. Too much debt. You may feel that the best use of your money right now is getting out of debt. And you're probably right. However, if your only focus is paying off the high-interest credit cards, what happens if you hit a bump in the road and need cash? You borrow again. That puts you right back where you started. So instead of putting as much as you can spare toward paying down debt, set aside at least a small percentage of your income, perhaps 3%, toward savings, and put as much as you can after that toward debt. It's a good habit that will ensure you won't have to borrow in case of an emergency, and it will get you ready for the debt-free days ahead when you'll be able to save a full 10%.

5. Waiting to see what's left after paying everyone else. If you do this, there will never be anything left to put away. It's human nature to spend everything you have ... and then some. Pay yourself before you pay anyone else, or you won't pay yourself at all.

6. You're not earning enough. Most people will quickly decide this is the category they fit into, but take a minute to evaluate this: Do you have a job? Are you paying your rent or mortgage? Utility bills? Are there any luxuries, big or small, that you're paying for? This is really a temporary category for those newly unemployed or those who have had a recent change in circumstances, such as a new baby or other additional household responsibilities. In this case, your only answer is more income. However, if your ship is sinking due to any of the reasons above or those which are not stated here, increased income will not resolve the issue.

Bottom line? Take something off the top. Even if you have to start with as little as 3%, you'll naturally cut back on unnecessary expenses and have financial security to show for it.