

Step 7: Save

After years of hard work, Kevin and Anna slowly started to see a bit of discretionary income each month. Like all of us, they started thinking of all the ways they could use the small “extra” they were seeing ... family vacation, a “new-to-them” vehicle, new carpet for the bedrooms ... or should they just save it? College was not that far off for their oldest. If they started saving, what type of account would be best? They realized they had been focused on living paycheck to paycheck for so many years that they really didn’t have a plan for how to use some extra income. They wanted to be wise in their decisions, but felt lost as to where to start.

“For which of you, desiring to build a tower, does not first sit down and count the cost, whether he has enough to complete it?” Luke 14:28

Now that you hopefully have a handle on your budget, are contributing to your work retirement plan to get a matching contribution, have created an emergency fund and have addressed your consumer debt, it is time to talk about additional savings options.

This step assumes you have margin in your budget to save. If you don’t, then this step will be difficult. Sometimes this step causes people to evaluate their career and decide if a change is needed to earn more so they can achieve their family goals. But for now, let’s assume you have some discretionary dollars you can save toward future goals.

We like to think of saving in terms of short-term, mid-term and long-term goals.

Some short-term goals (1-3 years) might be for vehicle repairs or replacement, a washer or dryer, summer vacation, or some other special purchase. Saving in a dedicated bank account is usually the best move since the purchase is in the near future. You could seek out banks or credit unions that may offer introductory bonuses or savings accounts with a slightly higher than average interest rate.

Mid-term goals (3-7 years) might be a home remodel, camper, piece of property, or more expensive vehicle. This type of savings should generally be in a low-risk account. CDs can be used or other fixed return investments. Just be mindful if there are any costs or surrender charges associated with your investment. It is not advisable to expose these savings dollars to risk in the market because there is not time to recover from potential volatility.

Long-term goals (7+ years) might be college, special family vacation/event or retirement. Savings can be invested for growth. These funds will experience volatility, but there is enough time to let compounding work.

A couple quick notes on saving:

- If education funding is a priority for you, there are a host of options available. Generally, we recommend 529 accounts, but it depends on your unique situation and you/your child’s goals.

- When it comes to additional retirement savings, the most obvious option is to increase your monthly contribution to your plan at work. If you or your spouse don't have options to save through work, there are other opportunities to save individually – even for non-working spouses. Deciding between Traditional or Roth IRAs often depends on your situation and goals.

Remember short-term and mid-term goals generally need to be invested conservatively. Long-term savings should be in a well-diversified portfolio aligned to your priorities.

The Bible has much to say about money and wealth and it is a worthy study. When you think about saving and investing, we encourage you to remember Paul's words in I Timothy 6:17:

“As for the rich in this present age, charge them not to be haughty, nor to set their hopes on the uncertainty of riches, but on God, who richly provides us with everything to enjoy. They are to do good, to be rich in good works, to be generous and ready to share, thus storing up treasure for themselves as a good foundation for the future, so that they may take hold of that which is truly life.”

If you have any questions about saving and investing options, we'd be glad to talk with you and get you pointed in the right direction. Contact us today!