



Saving and Investing — 10 Simple Strategies

1. START SMALL

Not sure where to start? Try saving 10 percent of your monthly income, but don't let that amount scare you away. If 10 percent is not doable, figure out how much you can afford to save each month and regularly put away that amount. Consistency is what counts!

2. CONTRIBUTE TO YOUR RETIREMENT PLAN

If you have a 401(k) plan at work, contribute at least as much as your company matches—and more if you can. Not taking advantage of this opportunity is equivalent to passing up free money. If your company doesn't offer a 401(k) plan or if you've maxed-out on your annual contribution, open an individual retirement account (IRA) or a Roth IRA and contribute to it regularly.

3. SAVE THROUGH PAYROLL DEDUCTION PLANS

A great way to save is to have your company deduct money from your paycheck to go directly to a savings account or into U.S. Savings Bonds. Remember, what you don't see, you can't spend. While you're at it, see if you can get your employer to electronically deposit your paycheck to your bank account. This can help you avoid the temptation to deposit only part of your check—and succumb to impulse buying with the rest of it.

4. SET UP AN AUTOMATIC INVESTMENT PLAN

Many mutual fund companies will arrange to deduct \$50 or more from your bank account each month and deposit it into a mutual fund account. With this systematic approach, sometimes called dollar cost averaging, you buy more shares when prices are low and fewer shares when prices rise. The net result is that your total investment cost is averaged over time.

5. 'ROUND UP' YOUR MORTGAGE PAYMENT

You can build up equity in your home faster and save thousands of dollars in interest simply by "rounding" up your mortgage payment. Consider increasing what you pay to the nearest hundred or just send an extra \$50 or \$100 each month. Your lender applies the extra payment directly to your principal. There is no need to contact your lender or to commit to a specific amount.

6. BANK YOUR RAISES

When you get a raise, continue to live on your previous salary. Deposit the additional funds into a savings or investment account and you'll be surprised how quickly your balance grows. Do the same with your income tax refund check and any unexpected windfalls.

7. KEEP PAYING OFF A LOAN

When you finish paying off a car or personal loan, continue to make the same monthly payment—but to yourself instead. Put the money in a savings or investment account and when the time comes to buy a new car, you may find you have enough to pay for the car in cash or, at least, make a substantial down payment.

8. PAY OFF YOUR CREDIT CARDS

Consolidate all your credit card debt on one or two cards with the lowest interest rate. Start paying as much as you can each month to get rid of your credit card debt. Keep in mind that when you tack on interest rates of up to 18 percent to your purchases, "sale" items are far less of a bargain. Also consider paying off your credit card debt with a home equity loan. In most instances, the interest expense is deductible and your loan interest rate is lower. But be careful, home equity loans put your home at stake if you get behind on payments.

9. REINVEST DIVIDENDS

By arranging to reinvest dividends from stocks and mutual funds, you can purchase additional shares of stock or mutual funds with no commission cost. If you have a certificate of deposit (CD), have interest credited back to your account, rather than sent to you monthly, and you'll earn interest on your interest.

10. KEEP TRACK OF WHERE YOUR MONEY GOES

Understanding how you spend your money is key to determining how you can cut back. Carry a small notebook with you and keep track of every dime you spend for a month or two. Review your credit card statements monthly to see where you are spending. You're sure to come up with ways to spend less and save more.

