



First Ascent Asset Management

Saving

This lesson is going to cover a topic that technically has nothing to do with investing, but without it you can't be a successful investor. Today we're talking about saving.

Saving and investing go hand-in-hand. In most cases if you don't save, you have nothing to invest and the more you save, the more you have to invest. And the more you save, the less you have to rely on your investments to get you to your financial goals. That's a good thing.

Saving gives you an element of control over your financial future that you do not have with your investments. Your investments are subject to the uncertainties of the financial markets. But if you save \$1,000 every month, you'll be \$1,000 closer to your goal at the end of the first month, \$3,000 closer to your goal at the end of the first quarter and \$12,000 closer to your goal at the end of the first year. You simply don't have that level of certainty with your investments.

Of course, the topic of saving is like the topic of risk—no one wants to talk about it. Saving is painful, it requires sacrifice and discipline, and it takes planning. No wonder most people have a hard time saving. But a key to reaching your goals is to save as much as you can and to start saving as early as you can. Saving just a little bit over a long period can really add up.

Many people get discouraged when they think about saving. They look at their paycheck and they look at their expenses and they just don't see how they can set aside anything meaningful toward their savings. So they do nothing and hope things will get better down the road.

Don't do that! Even if you only set aside a dollar a month, get started. Saving is usually a behavioral issue, not a financial issue. To become a good saver, you need to change your current behavior and establish a new routine—the routine of setting money aside every month. You can establish the routine just as well with \$1 as with \$1,000.

There is one basic rule of saving: pay yourself first. If you wait to see how much you have left after you have paid all your bills, gone out to eat with your friends and taken a road trip with your significant other, you will not be a successful saver. Pick an amount, no matter how small, and set it aside each month before you do anything else with your money.

Most banks have programs where they will automatically transfer money from your checking to your savings account. You don't have to do a thing. And if you can participate in a 401(k) or 403(b) plan or any other retirement plan where money is set aside automatically, do it. Pretty soon you will adjust and won't even notice that your money is being set aside for you each month.

If there is an employer match in your plan, participate to the point where you can collect the full amount of the match. That way your employer is contributing to your savings too.

Yes, saving can be difficult and usually requires some behavioral change, but if you want to be a successful investor, you need to have something to invest. So start saving. Now!

Here are the take-aways from this lesson:

- Saving is an important part of investing
- Saving gives you more control
- Saving is a behavioral issue
- Pay yourself first
- Make saving automatic