Family Living Focus

by

Sandra Parker Hall

Lebanon County Extension

Pay Yourself First

Pay-Yourself-First is a simple concept that paves the way for wealth accumulation or an upcoming need you may have. It simply means that each time you receive money from a regular source (for example, a paycheck or an allowance) or unexpectedly (for instance gifts or tax refund), you save part of it. Overtime, the saved money will grow and be available for emergencies or for long-term goals. A long term goal could be buying a car or house, paying for college, taking a vacation, retiring, or purchasing expensive items such as electronic equipment.

How much should you pay yourself each payday or allowance period? This depends on your goals and varies from person to person. The amount saved should be realistic for your income. Being consistent in your savings habit will be a key to your success, and is more important than the amount you save.

Effortless Ways to Pay-Yourself First

1. If you receive a paycheck and your employer offers direct deposit, use it. Direct deposit means that your employer sends your earnings directly to your bank. On a monthly basis, have your bank draft a predetermined amount of money from your checking account to your — pay-yourself-first account. This money can be deposited into a bank savings account, money market account, or a mutual fund. Explore your options with a bank representative, certified financial planner or someone you trust who understands money matters.

2. If you receive your income in cash or check, head for the bank the moment you get it! Make a deposit in your pay-yourself-first account before you spend any money.

3. As your income increases, put the increases in your pay-yourself-first account. For instance, if you get a $20 raise in your monthly income, put the extra $20 into your pay-yourself-first account.

The old cliches "you don't miss what you never had" or "out of sight, out of mind" apply. If money is not available, you won't spend it.

If you are thinking "But I don't have any money to pay-myself-first," review your spending habits. Ask yourself, "What can I give up or change in my present habits to increase my savings?" Starting small and being consistent will be beneficial over time.

If you save $5 a month (which could be the cost of one meal at a fast food restaurant, one video rental, or 12 pack can of soda) you will accumulate $60 in one year, $300 in five years, and $600 in 10 years.

If you save $10 a month (the cost of a pizza, or movie matinee with popcorn) you will accumulate $120 in one year; $600 in 5 years, and $1,200 in 10 years. The above figures do not include interest but just show consistent savings. When you have money in an interest bearing account money it will grow faster.

Help Children Develop Money Management Skills

If you give your children an allowance, insist that a portion of the allowance be designated for long-term savings or their pay-yourself-first account. The younger the children are when you start teaching this concept, the easier it will be for them to accept and practice it later in life. When children are very young, the 3S method — save some, spend some, and share some — is often used by parents to help children understand the concept pay-yourself-first.

Pioneer Braid Quilt Class At Lebanon

LEBANON (Lebanon Co.) — For beginner or experienced quilters, Lebanon County extension has planned a two day workshop teaching an easy way to make a Pioneer Braid design.

The classes will be conducted Tuesday, Oct. 7 and 14 from 9:30 a.m. -12 p.m., Lebanon Valley Ag Center. The cost is $35. For more information, call(717) 270-4391.