



Why Saving is Important

“But the truth is that your financial success begins with your willingness to save.”¹

— Ric Edelman, Financial Advisor and Author

The economy is creating change. Not just changes that many individuals and families dread, such as the increased costs of a gallon of gasoline and a week’s worth of groceries. The economy is, in fact, forcing many to tighten their belts and adopt stricter — and more positive — behaviors, particularly adjusting those activities that will affect their finances.

So, in response to the struggling economy, many U.S. and Canadian residents are saving more than they have in decades. The last several years of excess and overspending have given way to an era of saving money to pay down debt, plan for emergencies and increase retirement funds. Consumers are giving up once seemingly necessary luxuries, such as dining out, premium cable services and top-of-the-line vehicles, and now are focusing on their long-term financial success.

At the beginning of the 21st century, money seemed to quickly leave the hands of consumers almost as soon as they received it. They easily snatched up loans for major purchases and used credit cards to cover many expenses. As a result, by 2005 — and continuing into 2008 — the U.S. personal savings rate decreased, hovering around zero.² Canadian residents also struggled to save as the economy declined, carrying a 1.9 percent personal savings rate by the end of 2007.³ Suddenly crippled by loans and credit card debt that they could not pay off, consumers were forced to spend less, pay down debts and begin saving.

Now, according to a *Chicago Tribune* report, the savings rate in the United States has achieved its highest level in more than 15 years, reaching 6.9 percent

¹ “The Importance of Saving Regularly,” Ric Edelman, CNBC.com, Jan. 24, 2008.

² “Americans are saving more, but that’s not helping the economy,” *Chicago Tribune*, June 27, 2009.

³ “TD Economics Special Report,” TD Bank Financial Group, May 20, 2009.

in May.⁴ In addition, by the end of 2008 and into the first quarter of 2009, the Canadian savings rate reached 4.7 percent.⁵

But consumers should not follow the behaviors that were practiced throughout much of the decade, often spending more than was available and, putting away what, if anything, was left over. The practice of saving should — and must — be exercised regularly despite how much money you earn or any debts that you owe. But, how can you start to replenish your savings account or, how can you begin saving? Here are a few simple, preliminary steps to get you on the right track to a solid financial future.

First, as with any new venture, you must have a plan. In other words, **begin creating a budget** and be prepared to write all of your information down. Assess your current financial situation. According to a 2009 MSN Money article, consumers should consider the amount of money that they bring in and measure that against how much is going out. Gaining control of your finances will be nearly impossible if you spend more than you bring in.⁶ Also, earning more money will not help consumers increase their savings. Rather, limiting the amount of money that an individual or family spends — no matter how much they earn — is crucial.⁷

Next, **identify your goals** — what you want your savings to accomplish for you. Do you want to plan for a vacation, or a major purchase, such as a vehicle or a home? What about preparing for future goals, such as retirement or education? Have you considered saving for emergencies such as a job loss, illness or major car repairs? Take time to determine how your savings will be used.

Third, experts advise that you, before anything else, **pay yourself first**. After creating a plan and determining your own goals, begin setting aside money for yourself. Some suggest setting aside at least 10 percent of your net income for savings.⁸ However, that amount may vary depending on individual circumstances. In addition, when planning for emergencies, individuals and families should have at least three to six months of savings available.⁹

Taking these simple steps into consideration will help you move closer to achieving your financial goals.

⁴ “Americans are saving more, but that’s not helping the economy,” *Chicago Tribune*, June 27, 2009.

⁵ Statistics Canada, CANSIM, July 2, 2009.

⁶ “Your 5-Minute Guide to Saving Money,” MSN Money, Aug. 7, 2008.

⁷ “The Importance of Saving,” HSBC Finance Corporation, 2009.

⁸ “The Importance of Saving,” America Debt Consolidation Resources, www.budgetplanners.net, June 25, 2009.

⁹ “Your 5-Minute Guide to Saving Money,” MSN Money, Aug. 7, 2008.

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