

Personal savings strategies

[Finance](#)



Part I It is important for people to save money throughout their lifetime in order to build financial wealth for their future (Fdic, . I personally need to start making life changes in my personal finances to save money. The first step I must take is to identify the sources of lazy money. Some of the lazy money expenses include excessive spending in consumer goods, high gasoline expenses, and entertainment costs. I often go to the mall to purchase clothes, electronics, and other items. “ Some of the most insightful writing about the American character over the nation’s history has been about neither freedom nor democracy but about the crazed impulse to acquire things” (Uoregon, 2001). I can possibly save over \$50 a month if I control my impulsive buys. My gasoline expenses are high because my SUV vehicle wastes a lot of gas. I could invest in acquiring a hybrid vehicle that gives at least 40 miles per gallon. My gasoline expenses would be reduced by at least 60% by acquiring an economical vehicle.

Part II

My personal savings plan starts by establishing a realistic goal of how much I must be able to save based on my personal expenses. My personal income is \$2000 a month. I must add my variable and fixed expenses to determine a budget that exceeds my expenses. People that spend more than what they earn are always in debt because they finance their excess living expenses through debt instruments such as credit cards. The table below shows my financial personal plan based on my income and expenses.

Income

2000

Expenses:

Rent

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600

Utilities

250

Food

275

Loans

250

Gasoline

300

Clothes

150

Entertainment

100

Car insurance

75

Total expenses

2000

Savings

0

The budget above is my best estimate of my monthly expenses. The two tactics I'm going to use are lower my clothes and entertainment expense by \$50 and to lower my gasoline expenses. I will trade in my SUV for a used vehicle that gives 40 mpg. The value of my vehicle is above \$20, 000, thus I have some options to achieve my goals without having to increase my budget by buying a new car. I expect to obtain a gas savings of 60% which would lower my monthly gasoline expenses from \$300 to \$120 month. The <https://assignbuster.com/personal-savings-strategies/>

new budget of the next five years is illustrated below:

Income

2000

Expenses:

Rent

600

Utilities

250

Food

275

Loans

250

Gasoline

120

Clothes

125

Entertainment

75

Car Insurance

75

Total expenses

1770

Savings

230

My new monthly budget will allow me to save \$230 a month. My total yearly savings are \$2760 a month. A conservative estimate for the next five years

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is that my savings will continue at the same rate for the next five years. The reason that the estimate is conservative is because my income will increase due to a higher level of educational attainment. The same assumption will be applied for the 10 year and 20 year financial goals. Based on a 2% interest in savings for the next 5 years my savings will be \$13, 269. In 10 and 20 years will be \$25, 288 and \$46, 033 respectively (Calculatorsoup, 2012). It is hard to estimate income and expenses in the future because life changes and several factors such as a larger family affects cost of living expenses.

References

Calculatorsoup. com (2012). Present Value Calculator. Retrieved May 14, 2012 from <http://www.calculatorsoup.com/calculators/financial/present-value.php>

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