

6

The Importance of Saving

Some of these chapters are so important that I think I should do the whole lesson in bold print. This lesson is that important. It would not hurt to read it over and over. In the last lesson, we discussed budgeting. We know that it is absolutely crucial that we **set aside savings first** in our budgeting process. If we wait until after we pay other bills and expenses, there never seems to be anything left over. Why is the process of **saving money** so important?

I use the word “**savings**” to refer to money that you set aside for later use. *Putting the money aside is the process we call “saving.”* Investing is slightly different. First you have to set aside the money. That is called “saving.” What you do with the money after it is set aside to help it grow in value is called “**investing**.” We will talk more about **investing** later. The **savings** could be in a bank as a **savings account**, it could be in a **brokerage account**, or it could be in a **company savings or retirement account**. We set aside **savings** because we will need it later. We might save money to pay for a new house in a few years. We might save money to pay for our children’s college education. We might save money to buy a new car. We also save money for our own retirement. All of these are important reasons for saving. Let’s talk about the importance of saving for retirement.

Many years ago, most people worked until they were 65 or 70 years old. Most people did not live much longer than that. Therefore, there was usually very little time between our retirement and our death. We did not need much money for retirement. In 1935, the government decided to help people who were unable to set aside any savings for retirement. They forced all workers to take a little bit out of their paycheck to give to the government to help pay for retirement. This was called **Social Security**. At first, this program worked very well. A person paid money to the government as social security and did not have to worry about having enough money when he or she retired. The government would send people who were more than 65 years old a check every month. This social security check was the money most people lived on once they turned 65. Today, a person cannot count on social security to pay all the necessary bills. A social security check is only enough to pay for food, clothes and medical bills – and not much more. Also, many people want to retire before they are 65. Where do you get money to live on if you retire before you can receive social security checks? *You need to save money during your entire working life so you will have enough money to live comfortably in your retirement.* You cannot count on the government to support you in your retirement. People also have much longer life expectancy today; many people live into their 80s or 90s. That means that you will have to **save** enough money to support yourself (and maybe your spouse) for 20, 30, or 40 years. *That means you need to save a lot of money for your retirement years.* If you have a job that provides retirement benefits, that will help. However, retirement benefits from your job may not be enough. Also, you may decide you want to retire early. You may not be able to use the retirement benefits from your job until you are at least 60 years old. So, once again, I tell you that *it is very, very important to get into a habit of saving regularly. Start learning this habit today no matter how old you are. Save early! Save often! Save as much as you can!*