

Saving on a Tight Budget

How can those who currently aren't saving afford to save money? And how can those saving only a little save more? Here are nine tips for saving money when budgets are tight.

1. Find small savings that add up to big savings over time

Keep a careful record of all of your spending for a month. You may be surprised to learn how much you are spending on dining out or impulse purchases. One method is to save all your bills and receipts over the month and stack them into categories like "utilities" and "groceries."

2: Comparison shop to find the lowest prices

When you compare prices at different stores before making a purchase (can do so on-line or looking at ads in the paper), you can often find lower prices for necessary purchases — such as food, transportation, and insurance— leaving you more money to save. Bonus tip: Take a list with you to the grocery store and stick to it. This will help you from buying items you don't need.

3: Limit spending on gifts.

Limit spending for birthdays and holidays. Friends and family are more likely to appreciate a few well-chosen gifts than a more costly pile of gifts chosen thoughtlessly in a shopping mall spree.

4: Put all your loose change in a savings account.

For many people, that could add up to well over \$100 a year.

5: Ask your bank or credit union to automatically transfer funds each month from your checking to your savings account.

The easiest and most effective way to save is automatically. Even as little as \$10 or \$15 a month helps. After all, that's \$120 or \$180 a year.

6: Build an emergency fund to avoid having to take out loans to pay for unexpected purchases.

Emergency savings are usually best kept in a savings or share account, despite the low interest rates these accounts pay, because they are easy to access when you need it. Remember, if possible, keep a high enough balance in the account to avoid monthly fees.

7: Avoid using high-interest credit card and payday loans.

Payday loans typically charge interest rates of 500 percent, and the interest rate on credit card debts can run 25 percent. You can save hundreds, perhaps thousands, of dollars a year by paying off these high-cost debts.

8: Participate in a local Investment Development Account (IDA) program.

In return for attending financial education sessions and agreeing to save for a home, education, or business, you typically receive \$2 for every \$1 you save through an IDA program. So, saving \$25 each month could end up as \$900 at the end of a year.

9: Take advantage of any matches to retirement savings contributions that your employer offers.

Some employers match up to 100 percent of your contributions. If you're not contributing up to their match, you're leaving money on the table.