Saving Towards Goals

Do you have an emergency fund? Is education for your children important to you? Is flying to Paris a big dream? Have you always wanted a Harley? Are you hoping to retire in comfort some day?

For most individuals, realizing these dreams are as easy as starting a very small monthly contribution into a separate savings account or Canada Savings Bond program. With savings, time is your friend. With credit card debt and interest rates at 19%, time is your enemy.

Let's look at an example

John and Kathy have been spending $600 per month on dinners out and entertainment. They want to maintain part of this lifestyle **plus** save for their two children's education, a big vacation and for their retirement. How can they do it all? Answer: By doing it over time.

1. Find the Money in your Budget

John and Kathy choose to reduce their restaurant budget to $300 per month. They will either eat at lower cost restaurants or a luxurious treat once per month.

2. Save for your Children's Education

John and Kathy put $100 per month into Registered Educational Savings Plan accounts for their children. They set up automatic transfers from their account into the RESP so there is no temptation to spend on concerts or restaurants that no longer fit their financial goals.

3. Save for your Retirement

Like many employees, John and Kathy both have Registered Retirement Savings Plans matching programs at work wither their employers will match their contributions dollar-for-dollar.

They will fill out the necessary forms through their employers and both John and Kathy will start a deduction of $50 from each of their pay cheques every month. Thanks to the RRSP matching programs, they each really put $100 per month (ie: $50 from John, $50 from John's employer).

By cutting $1200 ($50 each per month) from their annual entertainment budget and taking advantage of the employee benefits, in a year's time John and Kathy will have $2,400 in their combined RRSP's.

4. **Plan your Trip by Paying for it First**

John wants to take the kids to Disneyland; Kathy wants them to see Europe. While they can't agree on which one right now, they don't really need to. They need to save for it.

John's employer offers a Canada Savings Bond program. Through the program, John will have $100 deducted from his pay cheque each month. This money will grow in a Canada Saving Bond so when the kids are old enough, they will have the luxury of deciding which destination to pick – Disney, Europe or Euro Disney; the trip will be paid for in cash rather than on a credit card.

Result: $4,800 allocated AND saved for their top three priorities at the end of 1 year

1. In one year, they will have $1,200 in their RESP accounts for their children (plus additional funds deposited from federal and provincial government programs).
2. They will have $2,400 in their RRSP accounts (including their employers' matching program).
3. They will have $1,200 in Canada Savings Bonds towards their future vacation.

Not bad for spending just a little less time and a little less money in local restaurants. Don't worry – they'll survive without you.