

Your Sherpa, LLC

Audio Session #9

Making Daily Decisions to Save & Build Wealth

How to Save

Outline for session #9:

Problem:

- General lack of financial literacy

Solution:

- Learn to be financially literate:
 - Learn **why** we must save (previous session)
 - Learn **how** to save (***this session***)
 - Learn **what** to do with savings (next session)

Outline for session #9:

How to save: ...areas of focus

- Your *mindset* is critical
- A specific *method* to save
- Advice to “live life today”

Outline for session #9:

How to save - A mindset to succeed

- *You* control your mindset
- *You* can **choose** to adopt a lifestyle of making daily decisions to save
- The right mindset can be the **initial spark**:
 - To want to learn more about personal finance
 - To change your relationship with money (have *it* work for *you*)
 - To see money differently (as a tool or means to an end)
- The right mindset is also what you need to ensure **sustained, lifelong success**

Outline for session #9:

How to save – methodology

- “Save First”
- **Save first, then live off what remains**
- A formula for success
 - **Income - Savings - Needs = Wants**
 - Pay yourself first (save first)
 - Then meet your “needs”
 - Then spend what is left on *some* “wants”

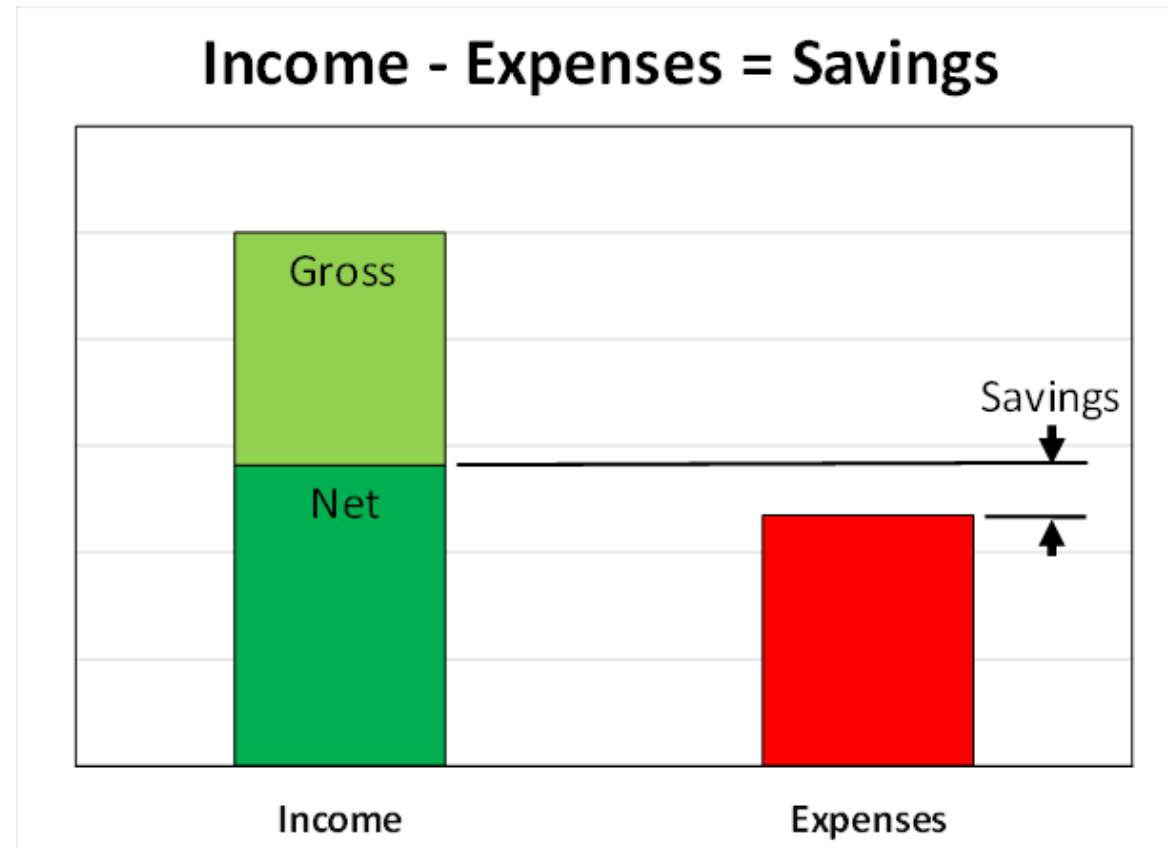
Outline for session #9:

How to save – live for today

- What's your butter?
- A discretionary expense category
- A “want” you “need” to have a rewarding life
- Indulging on this one “want” enables you to stick with the larger picture of saving discipline

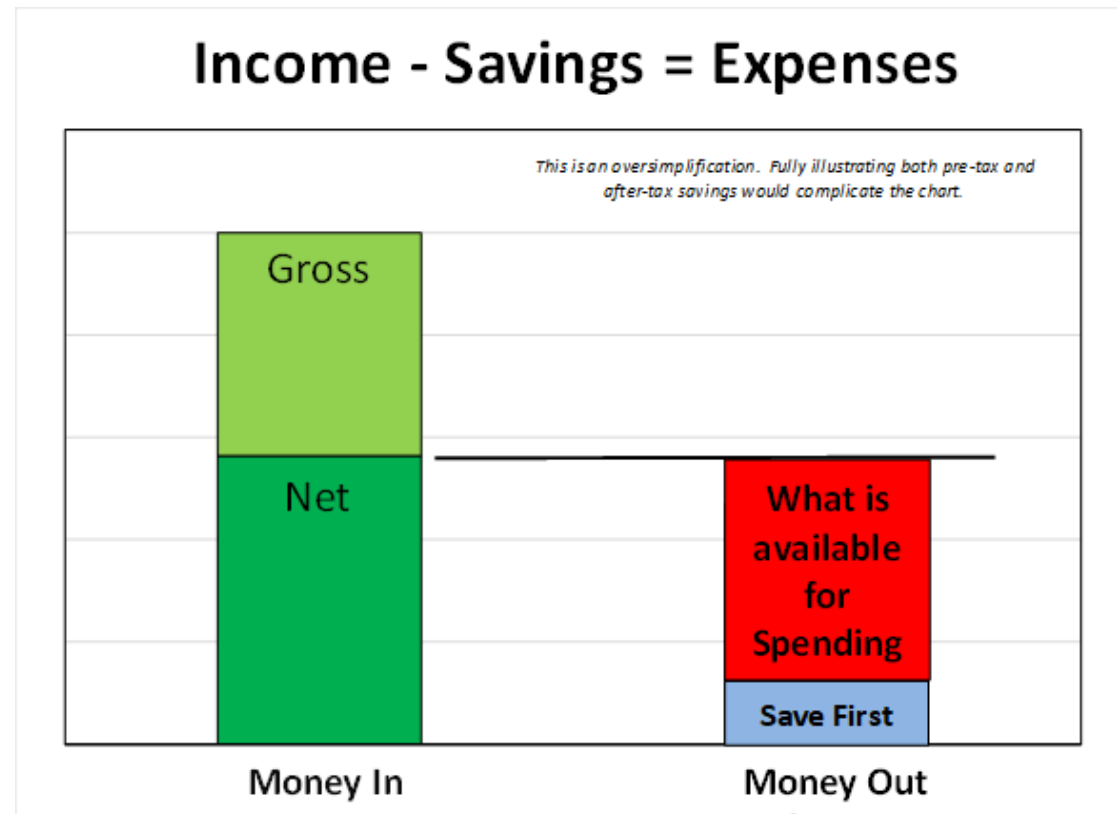
Outline for session #9:

- Flawed approach – savings are an output and often don't happen



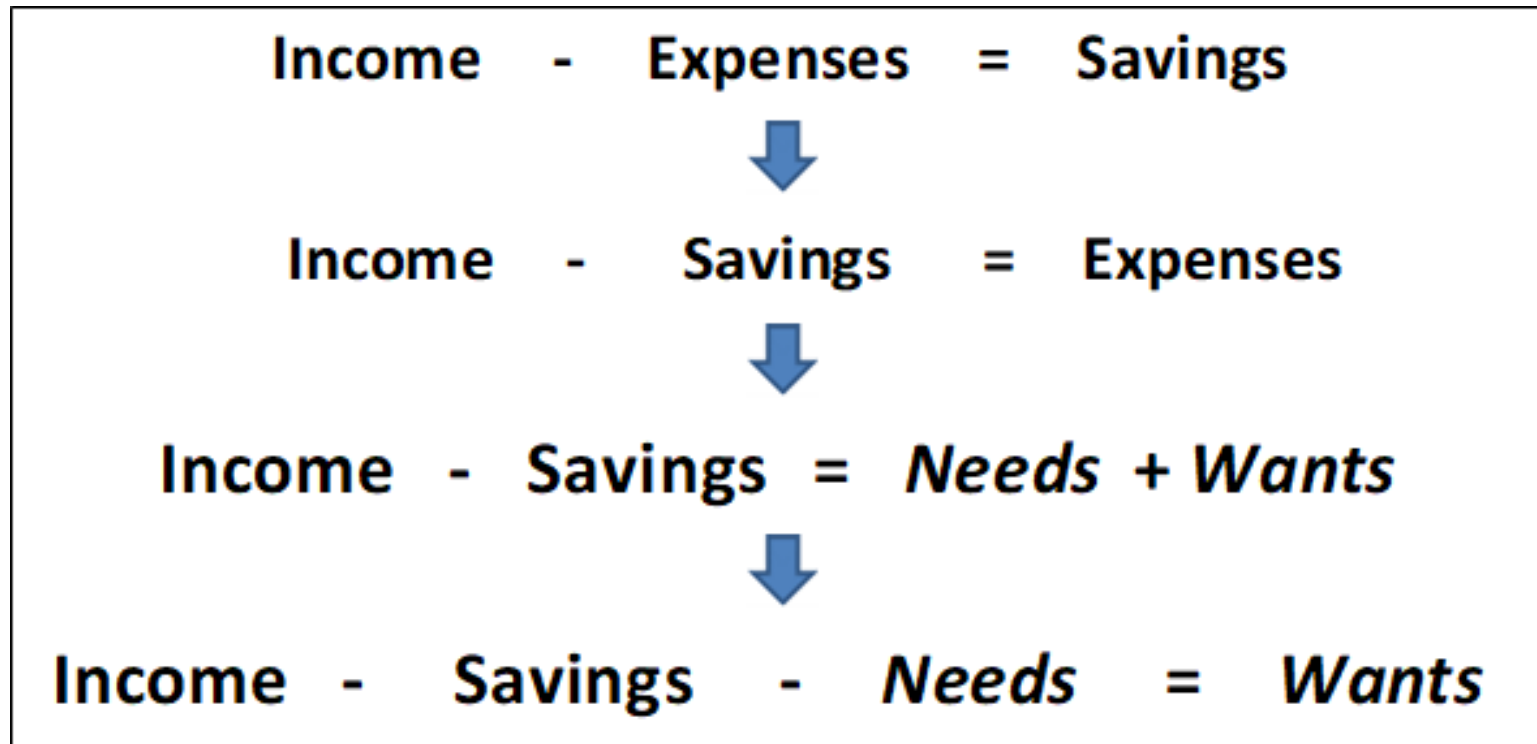
Outline for session #9:

- “Save first” approach – save first, live off what remains



Outline for session #9:

- Save first approach – save first, breaking expenses into needs & wants



Income - Savings - Needs = Wants

Annual salary
or Total wages
+ Bonus/commission
+ Unearned income
= Gross income
minus:
FICA deduction
Pre-tax savings
Federal taxes
State taxes

= Net Income

minus Savings:

Pre-tax savings
Emergency fund
Debt prepayment
Short-term goals
(e.g. vacation)
Medium-term goals
(e.g. car, house)
Long-term goals
(e.g. college)
(e.g. retirement)

= Available for spending

minus NEEDS:

Housing
Property/school taxes
Transportation
Utilities
TV/streaming
Cell phones/data
Healthcare
Life insurance
Groceries
Pet care
Hair cuts
Clothing
Gifts
Charity
Misc.

= What's left...

for some WANTS:

Eating out & nightlife
Entertainment
(e.g. movies, events)
Activities
(e.g. skiing, golf)
Gym membership
Additional clothing
New home furnishings
Misc.