

## How To Build Your Savings Quickly: A Guide For New Savers



When you're young and have your whole life ahead of you, it can be difficult to grasp the importance of saving. You often have other priorities, such as paying off student debt, finding a home you can afford and paying all your monthly bills, while still having some fun.

However, the earlier you start to save, the more comfortable your life will be further down the line. Regardless of your income, when you're young you have a very powerful savings tool on your side — time. Compound interest — where you earn interest on earned interest — makes your savings grow dramatically over a long period of time.

*This chart below\* shows the advantages of saving regularly from an early age:*

Savings Starting Age	25	35	45
Monthly Investment	\$250	\$250	\$250
Savings by Age 65	<b>\$503,101</b>	<b>\$252,634</b>	<b>\$116,338</b>

By starting to save 10 years earlier than age 35, you can effectively save *twice as much money*. And you'll save *over four times as much money* by saving 20 years earlier than age 45. Here are some tips for building your savings quickly.

### Save what you can for now

While you may think that you've no extra cash to put into savings, there are always ways to cut your costs. Simple tricks, like limiting the number of times you eat out every month, taking transit instead of taxis and avoiding impulse purchases can quickly free up money to put into a savings account.

Even if it's only \$50 per paycheck for now, as we've seen above, that will grow substantially over time. Once you start to earn more, you can increase the amount that goes into your savings, so your money grows even faster.

### Keep to a simple budget and save first

You don't need a complex budget to take control of your money, and there are plenty of free or low-cost budgeting apps that make the process really easy.

The trick is to automatically transfer a set amount into your savings before you spend money on anything else. This way, you won't miss the money and your savings will grow without you even having to think about them.

### Invest in high return options

For long-term goals such as retirement, you can grow your savings much quicker by investing in stocks that have a higher return potential, rather than putting your money in savings accounts.

Stock market returns can average [over 9% annually](#), which is way more than you would get even with a high-interest savings account. The risks are greater, however, as stock markets rise and fall with regularity. However, when you are investing over the long term, you have plenty of time to regain any potential losses — and the markets have historically always bounced back. If you're serious about growing your savings quickly, investing in stocks is potentially the fastest way to go about it over the long term.

### Save all of your extra money

Any opportunity you have to increase the amount you save in any given year will have a huge impact on how fast your savings grow.

By saving your bonus, a tax refund or an inheritance, you'll add a considerable chunk of money that will have decades to grow.

### Turn loan payments into savings

Once you pay off your student loans or any other debt, redirect your loan payments into your savings accounts. You won't miss the money because it was never available for you to spend, but it could easily double or even triple the amount that you save monthly.

Similarly, once your emergency fund has reached its target amount (typically three to six months of expenses) put the amount you were saving for that into your retirement fund or other savings goal.

### Save in an RRSP or TFSA

An RRSP allows you to save for retirement within a tax-deferred savings plan. The money grows tax-free and you'll get a tax refund for the amount you save, which can then immediately be added to your savings. TFSAs also allow for tax-free growth of savings — this includes interest, dividends and capital gains.

You can hold all manner of investments in RRSPs and TFSAs, including shares, mutual funds and exchange traded funds. You can automatically reinvest your dividends or interest.

### Help in getting you started

Cornerstone financial advisors can help you to choose the right investment and savings options and the accounts that will help you grow your money quickly. Call us on **1.855.875.2255** and let's start building your savings.

*\* Savings as calculated by Cornerstone/Thrive Wealth Management's Savings Growth Calculator, based on a 6% annual rate of return.*