

How to Save for Different Goals



No matter what stage of life you're in — starting your first job, growing a family, approaching retirement — you'll typically have more than one savings goal at any time.

Fairly consistent savings goals throughout most people's lives are an emergency fund and retirement, but

there are plenty of others that could also come into play simultaneously. These could include saving for a down payment, your kids' education or a major purchase.

It can be tricky saving for several goals all at once, but these strategies can make it easier and more effective.

Know your goals

Write down all of your savings goals. Then, open a separate savings account for each goal, to make it easier to keep track of each one's progress.

Naming each goal in a way that becomes meaningful to you will help you to stay focused on them individually. It will also give you added incentive to save successfully. Names for your savings goals could include:

- Becoming a homeowner
- Coping with financial emergencies
- Retiring early
- Taking a Caribbean winter break

Do the math

Work out how much you need to save to reach each goal and when you will need the money. Divide each goal's amount by the months remaining and you have your monthly savings target for each goal.

There are then two ways to do this. You can either save for each goal at the same time, if you have enough money, or you can save for long-term goals (like retirement) whilst only saving for the short-term goal that is due the soonest. Once that's paid for, you can move onto the next due short-term goal.

Be realistic and prioritize

Don't bite off more than you can chew. By making your goals achievable, you'll set yourself up for savings success. It's far better to successfully reach a smaller number of goals than fail to reach a large number of them.

List your savings goals in priority, with the most important first. Then, you can either:

- Focus only on the goals at the top of your list
- Extend the savings time period for some or all of your goals
- Put some goals on the back burner until you can free up more money for them

Use different strategies for different goals

This is really key to successfully saving for different goals all at once. For long-term goals, such as retirement, you can afford to invest in stocks or funds that have the potential to bring the highest returns. Not only will your money grow faster, it should also have time to recover from any market dips that will undoubtedly happen.

For shorter-term goals, such as a major purchase or a trip, more secure savings vehicles, such as guaranteed investment certificates, will bring you a higher level of interest without the risk of the markets. For emergency funds, you would need to be able to get your hands on the money at a moment's notice, so keep that in an accessible high interest savings account.

Ideally, you will want to grow your savings within registered accounts – so an RRSP for retirement, an RESP for your kids' education and a TFSA for any other

goals. Your investments grow faster when you don't have to pay tax on their interest, dividends and capital gains.

Reallocate funds

As you reach individual goals (for example, hitting your emergency fund target) start allocating that money towards a different or new savings goal.

Be patient

When you're saving for several goals at once, it can seem like you're not making much progress, especially early on. However, if you stick to your savings plan, you will get there eventually. And remember, you can reach your goals faster by increasing the amount you save as your circumstances change and you earn more money.

Help in getting you started

Cornerstone financial advisors can set you up with the most suitable and effective savings or investment account for each of your goals. Call us on 1.855.875.2255 and let's start building your savings.