Pay Yourself First

Introductory Level

Do you want to be financially secure, avoid stress and be able to have a million dollars? If so, start the **Pay Yourself First** strategy today. Before you pay for anything, put money in savings for life's unexpected.

What will tomorrow bring?

Have you heard the phrase "save it for a rainy day"? What does this phrase mean to you and why do you think people use this phrase?

No one knows what will happen tomorrow, the day could bring an invitation to an awesome event or a flat tire. Either way it is best to be prepared and one way to be prepared is to pay yourself first and have savings.

Savings is the portion of income not spent on current expenses. If savings aren't available and an emergency arises, debt may be used which often causes stress and giving up things people enjoy.

How can the Pay Yourself First strategy help with the below images?

What do you think people give up because of emergencies, if they do not have savings?

PYF Strategy

- Putting money aside for savings first

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TAKE CHARGE AMERICA NON-PROFIT CREDIT COUNSELING

Are there fun reasons to save?

Of course, all people want things, such as a new car, great new outfit, new tech gadget or to go to college. Savings can help with the unexpected but also with achieving goals. A **goal** is something someone intends to accomplish, and a **financial goal** implies what wants to be accomplished involves money.

What is a financial goal you would like to achieve?

What is being financially secure?

Being financially secure is different for everyone, depending on their lifestyle and choices. It is suggested that people have 6 months worth of expenses in order to have a sense of security. To do this, save 10% to 20% of your net income monthly. **Net income** is your pay received after taxes have been withdrawn.

The safest place to put your money is in a depository institution.

Using Pay Yourself First (PYF) and utilizing interest leads to living well.

Where should you stash your cash?

Although there are many options of where to hide your money; a piggy bank, jar, under your mattress or at a bank, it is safest in a depository institution. A **depository institution** is a business that offers financial services to consumers. The two main benefits are:

- Money is insured from loss
- Option of earning interest

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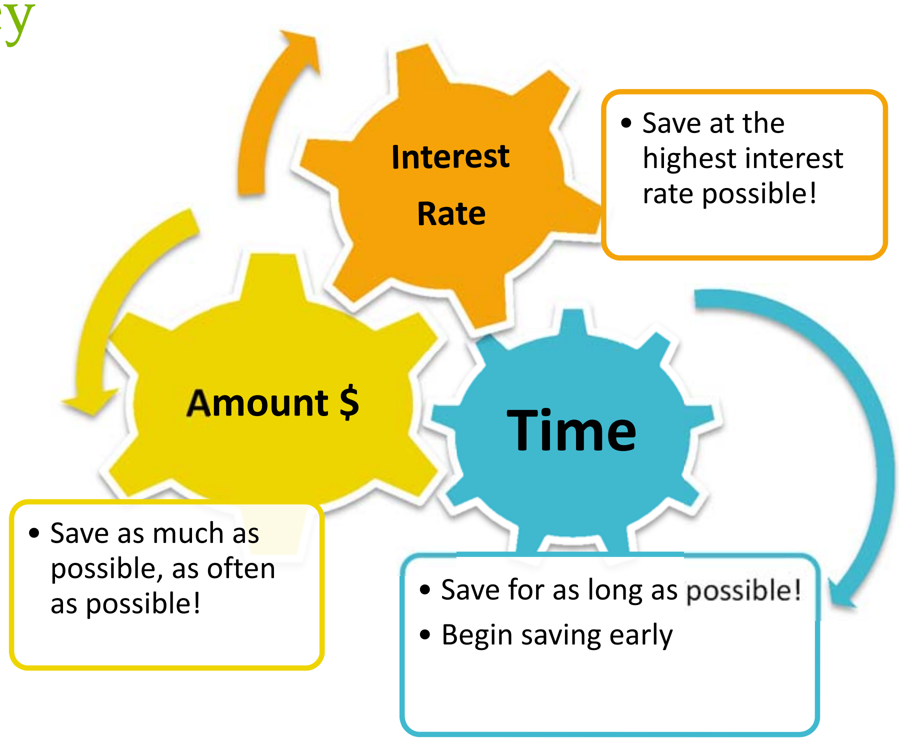
Time Value of Money



Now you know it's important to save your money in a depository institution using the PYF strategy but why should you do it when you are young and don't have much money? Well the answer is simple; time is on your side. Although other factors play into being a millionaire, your biggest advantage is time. Other factors such as interest and principle also play a role. **Interest** is the price of money. When you save money, the depository institution pays the saver an interest rate.

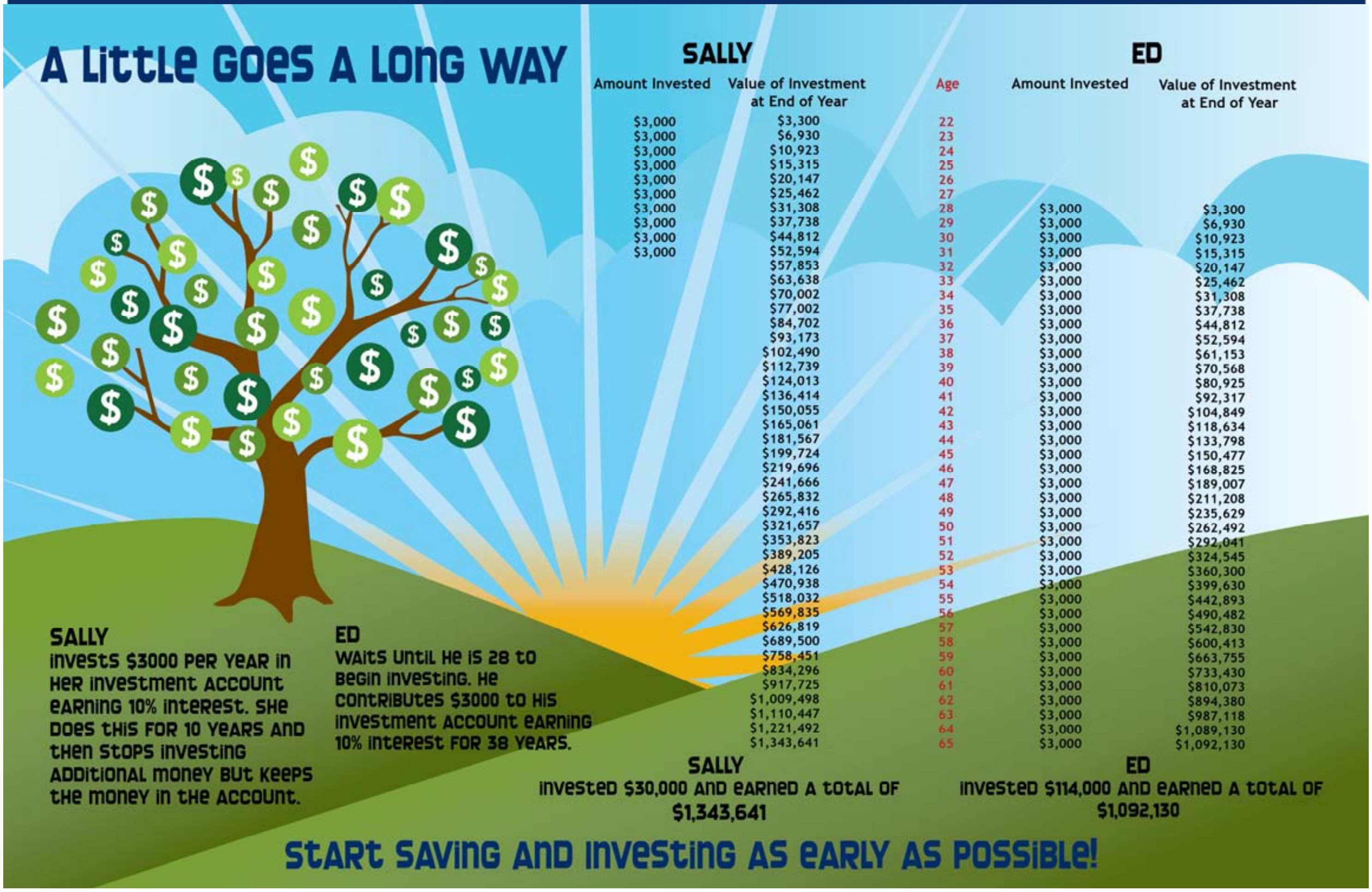
There are many types of accounts that utilize TVM (Time Value of Money), for example:

- Savings Accounts
- Money Market Accounts
- Certificate of Deposits

What is a difference between a savings account and a Certificate of Deposit (CD)?

	Savings Account	Money Market Deposit Account	Certificate of Deposit
Definition	Holds money not spent on current expenses	Pays a higher interest rate than a savings account	Pays interest on a lump sum of money
Characteristics	• Money stored until needed • Interest earning	• Minimum deposit often required • Number of monthly withdrawals often limited	• Specific time requirements • When time period is complete, money and interest earned can be withdrawn • Higher interest rates for longer time periods

Money paid in the future is not equal to money paid today.



A Little Goes A Long Way

Using the pay yourself first strategy, setting goals and making choices based on your current spending can lead you to a life of well-being. Understanding **trade-offs,** giving up one thing for another helps in reaching goals. For instance if Sally above thinks of the long-term benefits of saving $3,000, it's easy to give up her daily latte. In the above illustration Sally started early and reaped the benefits. Use your knowledge of PYF, TVM and depository institutions to have financial well-being.

"Pay Yourself First"

Set financial goals

Examine Trade-Offs

Examine Current Spending

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