

# How To Save Smarter

Start saving money in your 20s you'll thank yourself in your 30s!



## Why should you save money?



Plan for retirement



Keep up with inflation



Be ready for emergencies



Pursue a dream house or car



Provide for children's education

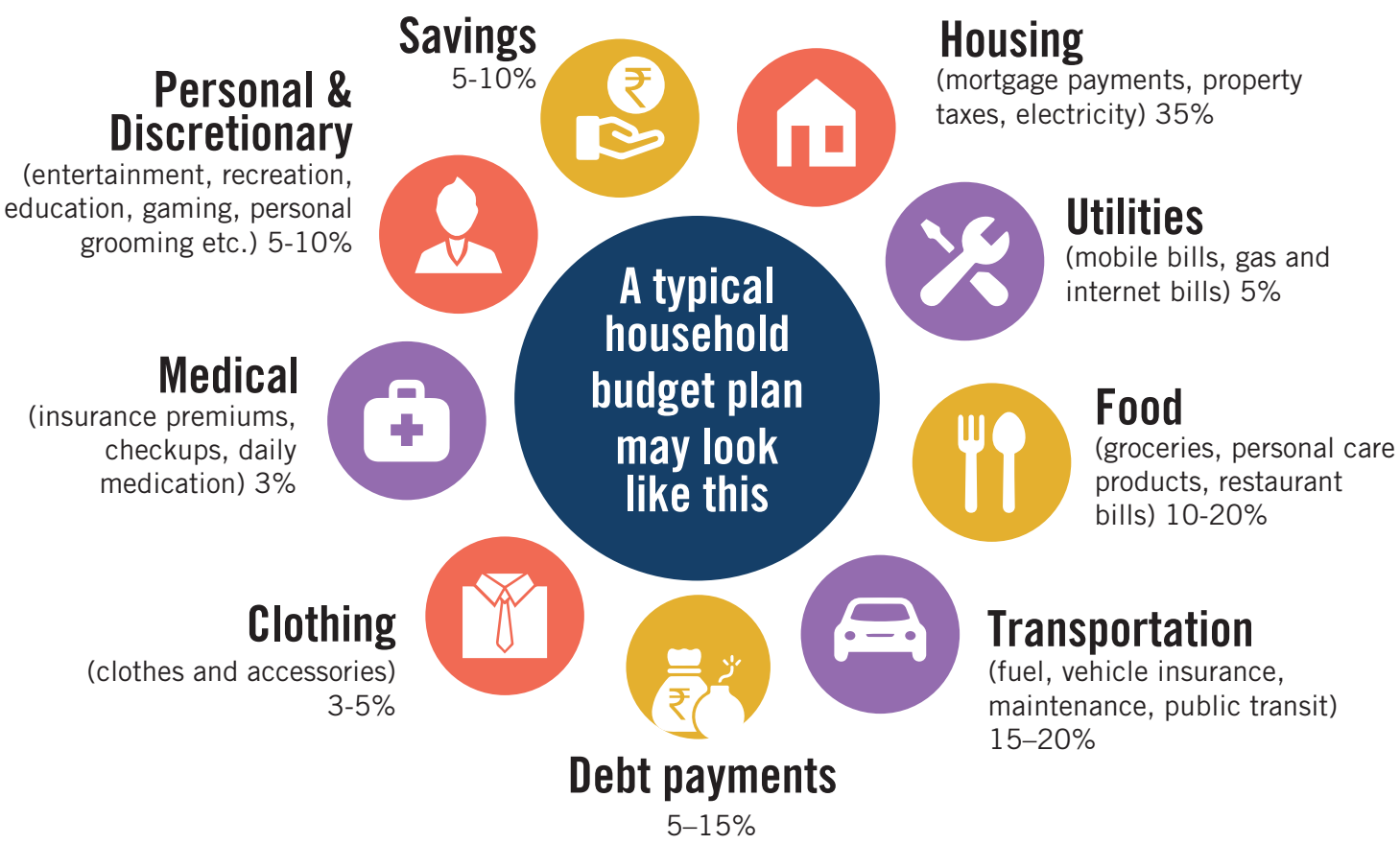
However, saving money may not always be enough-you must save with a plan.

## 5 steps for a smart savings plan

### 1 Get data on your expenses

- Estimate
- Track
- Categorise
- Prioritise

Start with a basic budgeting guideline<sup>1</sup>. Categorise your expenses and prioritise where you may have to spend more, and where you can save.



### The advantages of budgeting

- No empty pockets at the end of the month
- Disciplined, systematic spending
- Complete financial control

### 2 Calculate how much to save

The 10% rule of thumb is a good starting point – save 10% of your monthly income.

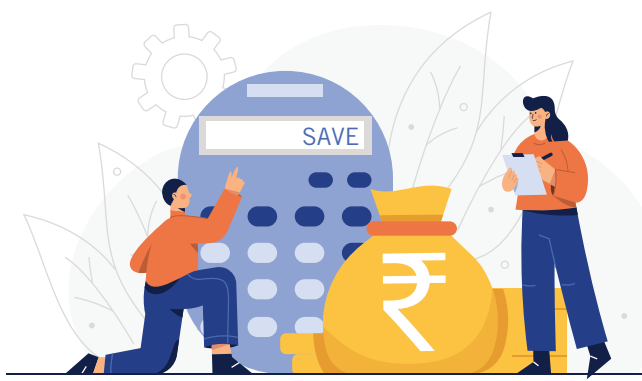
#### Why?

Because irrespective of how much you earn, you're then living and saving within your means.

#### The 28/36 Rule

The 28/36 Rule is useful to calculate a manageable debt burden. The rule suggests that households should spend no more than 28% of their total income on home-related costs.

If you earn Rs. 500,000 per year and follow the 28/36 rule, your yearly housing costs should not exceed Rs. 140,000, or Rs. 11,167 each month. Other personal debt payments should not total more than 36%, so in this case Rs. 180,000 per year or Rs. 15,000 per month.



### 3 Pay off your debts

- List your debts by balance
- Focus on paying off debts with the lowest balance first
- Make minimum payments on the rest
- Once your lowest debt is paid, use the money you were spending on it to pay off the next smallest debt
- Repeat until debt-free



### 4 Save before you spend

"Don't save what is left after spending; spend what is left after saving." – Warren Buffet

- Keep a certain percentage of your salary aside for savings
- Come payday, set aside a portion of your paycheck before paying off bills and going shopping
- Set up a recurring transfer to your savings account on every payday

### 5 Set saving goals

Savings goals help you answer the big questions:

- What would you like to save for?
- How much money will you need?
- How long will you need to save?



#### SHORT-TERM GOALS

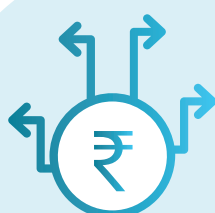
- Emergency funds
- Travelling
- Down-payment for vehicles

#### MID-TERM GOALS

- Saving funds to start a business
- Paying for a wedding
- Starting a second career

#### LONG-TERM GOALS

- Dream house
- Higher education
- Child's education
- Retirement fund



**BUT THERE'S A CATCH** - Saving alone may not help you to achieve your goals, because inflation reduces the worth of your money over time.

**THE SOLUTION** - fight inflation with smart investments - Equity Funds | Debt Funds | Hybrid Funds | International Funds | Gold Bonds | Real Estate Funds

## To sum it up

Saving money may be difficult, especially if you don't have much to begin with.

But every rupee counts, and saving can help you envision your future, accomplish your financial goals, become independent and take control of your life. Consult a financial advisor and start saving and planning your investments today.

Source: 1. <https://nomoredebts.org/budgeting/budgeting-guidelines>

This is an investor education and awareness initiative by PGIM India Mutual Fund. Mutual Fund investments are subject to market risks, read all scheme related documents carefully.