

planning money

Save now for the future



ILLUSTRATION: SOPHIE PAINE

Your favourite clothing shop is having a sale! All items are being offered at a 20 to 30 per cent discount.

You buy a few shirts and trousers and rush home to your calculator to find out that you saved \$560.

But are you sure you really saved money?

What you have done is spent money buying these clothes. Would you have bought them had there not been a sale?

So you did not really save any money, right? You actually economised.

You need to save first for your future expenses, whether it's for your phone bill or your tax. Saving is usually less fun

Saving is keeping money aside, while economising is getting better deals when you spend.

Saving is usually less fun than spending, but saving is fundamental in managing your money well.

You need to save first for your future expenses, whether it's for your phone bill or your tax.

Future expenses can be short term (bills) or long term (people usually save to buy a house, or for their retirement).

Saving is also the best way to avoid debts: if you keep enough money aside for expenses to come, you will not have to ask for a loan in case you run out of money.

So the next time you plan to make a big purchase, don't nag your parents. Ask your grandparents for help, or pay by monthly instalment.

Money words

Discount
大折扣

Fundamental
基本的

Expenses
支出

Bill
帳單

Retirement
退休

Debt
債項

Purchase
購物

Instalment
分期付款

Quarterly
季度

Bank loan
銀行貸款

Pensions
退休金

Compulsory
強制

Inflation
通貨膨脹

The different reasons for saving

Emergency: this is the first reason for saving – you should always keep money for unexpected expenses.

Emergency saving will also help you pay for your daily living expenses in case you lose your job or when your income stops.

Expected expenses: plan

your regular expenses, whether monthly, quarterly or yearly, and keep money aside to pay them on time.

Big expenses: if you plan to spend a lot of money such as going on holiday or buying furniture, plan beforehand so you can finance it.

Life projects: studying, having a wedding, buying

property – you need to save first even if you have made a bank loan.

Retirement: pensions (MPF in Hong Kong) are usually not enough to maintain the same lifestyle once we retire, since people are living longer.

Save as early and regularly as you can for retirement – small rivers make big rivers!

quiztime

How to save

Most people think that saving is whatever is left from your income after you have spent part of it.

The best way to save is to think otherwise: your expenses are whatever is left from your income after you have saved!

Don't wait – as soon as you get paid, keep some money aside, possibly in another account.

Open a savings account. If you haven't got enough to open a savings account, open a second current account and build up your savings until you can open a proper savings account.

Get motivated. Saving is not cutting expenses – it is keeping money aside to cover future expenses (telephone bill for example) and to fulfil your goals – goals can be short term such as buying an MP3 player or paying for a weekend holiday in Shanghai.

True or False?

1. Economising is like saving money.
2. Emergency saving is the best way to pay for the bills we have forgotten about.
3. A savings account is an account where you can deposit your money and get interest.
4. MPF is a compulsory contribution from the employer and the employee to a pension fund that the employee can access when he/she retires.
5. You can wait until you are in your 50s to start saving for retirement.
6. The net return on your savings account is the interest you get minus the inflation.

Answers on Page 11

Here are a few activities you can research on for this week's topic:

1 Enquire about savings accounts: go and visit a few banks, asking about the minimum deposit on a savings account and how the interest is calculated and the minimum age to open one.

2 Write a list of your goals: determine when you want to achieve them, if you have already saved for them and how much they cost.

Then calculate how much you need to save every month for them by subtracting your existing saving from the price of the goal and divide it by the remaining numbers of months.

Save this amount every month and see it grow!