

Why Saving Is Important: Everything You May Need Extra Money For

Saving is probably the last thing you think of when budgeting, but it's the most important way to protect your future self.



It's so easy to ignore our savings. Our money just tends to go elsewhere. We work, pay our bills, and don't have much left over, if any at all and many times, we may need to work more than one job just to afford necessities.

In fact, [39% of adults worry they won't be able to pay their bills](#) each month, but this is why saving is important. If you have money set aside for emergencies, unexpected occurrences, and even financial goals, it's a lot easier to enjoy life and stop fretting about money.

If you haven't given saving money a second thought, here are seven reasons you may want to start.

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Emergencies

Emergencies happen when you least expect them, and typically are unprepared. An [Empower study](#) showed that two in five people could not cover even a \$400 emergency.

Imagine if your car broke down, you had a medical emergency, or you couldn't pay your bills because you were unable to work. Without adequate savings, these issues could be even more detrimental to your financial and mental wellbeing.

If you instead, save regularly and have a [sizable emergency fund](#), you can fund the unexpected and not have to worry about how you'll cover them.

Inevitable life expenses

Life happens when we least expect it, and sometimes it costs us money. Not everything that happens is an emergency, but unexpected expenses can pop up that could cause financial strain if you aren't ready for them.

Here are a few examples of what I've experienced in the last year that wasn't expected, but thankfully I had money saved to cover:

- Increased property taxes
- Higher medical insurance deductible
- Unexpected car repairs
- Higher than average out-of-pocket medical costs

The key is to be ready for these types of changes because you get little warning (if any), but must come up with the money quickly or you risk other negative consequences.

Retirement

Avoiding retirement savings is easy. When you first begin working, retirement can feel like it's lightyears away. You assume you have time to catch up so you don't save. But retirement will be here before you know it and if you

don't save early, you could cost yourself money. Even if you have [nothing saved for retirement](#), it's never too late to start.

You might wonder how much you need to retire, but there's no cut and dry answer. Some experts say you should save 10% to 15% of your income annually and others say you need enough to have 80% to 90% of your pre-retirement income.

How much you need depends on your income, living expenses, debt, and other financial obligations. It also depends on how far you can stretch your retirement savings.

I urge you to avoid relying too much on programs like Social Security. Instead, begin [saving for retirement](#) by opening a 401(k) or IRA.

I suggest starting with a 401(k), especially if your employer will match some or all of your contributions; who doesn't love free money? If your employer doesn't offer a 401(k), at the very least, [open an IRA](#) today and start saving.

Education

Even if you don't have kids yet, chances are the time will come that you need to cover some or all of someone's education expenses, maybe even for yourself if you go back to school.

The only way to make the expenses manageable is to save now. The average person borrows \$30,000 to go to college, but if you start saving now, you can alleviate that stress from your loved one or yourself, helping to build a strong future.

Whether you save in a high-yield savings account or take advantage of the [529 tax savings](#), you could save yourself or your relatives from excessive interest and loads of student debt in the future.

New housing

If you rent your apartment or house, you never know when you'll need to find a new place to live, which usually means coming up with a security deposit and first and last month's rent. That's not easy to do in a moment's notice.

Maybe one day you'll decide you are tired of renting and want to buy a house. In that case, you'll need a [save a large down payment](#) and money saved for closing costs and other moving costs.

You just never know what life may throw at you, so having money saved to cover these unexpected housing expenses is critical.

Financial goals

No matter how old you are, you should always have goals. A few things I've satisfied in my life are buying a car, my "forever house," and taking my dream vacation.

But that doesn't mean my financial goals stop there. I'm always dreaming and thinking of what I want to do with my life, and have savings and investment accounts set up to help me reach those goals. Some of these goals include:

- Having enough money for a peaceful retirement
- Buying a boat
- Traveling more
- Having adequate savings for peace of mind

Everyone has different financial goals, but the key is to write them down and attach a number to them so you can save a [sinking fund](#) for these goals and feel accomplished when you reach them.

Peace of mind

Money can cause a lot of us to worry, even if there's nothing to fret about at the moment. The good news is that having some money stashed away can

give us peace of mind regarding our finances, rather than stressing about them.

You'll also have the freedom to make a wider range of choices on certain purchases or have the time to make more informed decisions. For instance, if you're saving for vacation, you might have enough to take a flight overseas rather than going on an in-state road trip. Or you might be able to afford the car or home that you really prefer. You work hard for your money, so it's time to ensure you get to do what makes you happy rather than just getting by [living paycheck to paycheck](#).

Some basic math about savings

Did you know that where you put your money matters? Yes, it's easy to open a bank account at your local bank, including a savings account, but are you maximizing your earnings by putting your money there?

Probably not.

I encourage you to consider [high-yield savings accounts](#) which offer a much-higher APR compared to regular savings accounts, sometimes more than 2% compared to 0.01%. Here's an example of the difference that translates to in earnings.

The difference in what you earn is significant: After 10 years in a high-yield savings account, your money will have earned \$1,343.52 more than if you had kept it in a regular savings account.

Simple tips to start saving money today

I know saving money can feel daunting. Even just finding the [right savings account](#) can feel overwhelming, but the truth is that saving can become a normal part of your life with these simple tips:

- **Open a new savings account:** You can start small with little

contributions each pay period or month. Try opening a high-yield savings account like those offered by [Ally](#) and [Barclays](#).

- **Automate savings deposits:** Instead of making manual contributions, set up your accounts to auto-deduct a certain dollar amount every month. It'll save you time and effort if you streamline your savings process.
- **Pick up a fun side hustle and save that money:** If your day job covers only enough to pay the bills, you'll need to figure out [how to make extra cash](#) to start saving. Look into ridesharing, grocery delivery, or freelance opportunities for additional income. You can easily make [an extra \\$200 this week](#) to get you started.
- **Buy fewer things or less-expensive options:** Adjust your budget so you're not spending more money than absolutely necessary. You can even negotiate the things that are indispensable, like car insurance, home internet, or your phone bill.
- **Get a cashback credit card:** If you're going to use credit cards, at least make them earn their keep. Use a cash back credit card like the [Chase Freedom](#) or [Chase Freedom Unlimited](#). Find one that offers the most cash back on the things you buy often, like grocery shopping, dining out, gas, or other everyday purchases.

Author Details

[Dori Zinn](#)

Dori Zinn is a personal finance journalist with work featured in Huffington Post, Quartz, Wirecutter, Bankrate, Credit Karma, and others. She loves helping people learn to be better with money.

Author Details

[Samantha Hawrylack](#)

Samantha Hawrylack is a writer with more than five years of experience. Her work has been published in Newsweek, MarketWatch, USA Today, Rocket Mortgage, BiggerPockets, Crediful, and many more. She holds a Bachelor of Science in Finance and a Master of Business Administration from West Chester University of Pennsylvania, and she was previously a brokerage investment professional with Series 7 and 63 licenses at Vanguard.