

Saving Money - A Three- Part Strategy

“The secret of financial success is to spend what you have left after saving, instead of saving what is left after spending.”

Saving money is hard work. And the hardest part is simply getting started. If you're beginning from scratch, consider this three-part strategy:

1. Save for the unexpected

Save three to six month's worth of living expenses. In case you lose a job or find yourself with no steady income, this rainy-day fund will become necessary. Take no chances with this money. Keep it readily available, in a bank account or a money-market mutual fund.

2. Save for long-range expenses

This could be a new home or college for the kids. Be more flexible with this money. Keep it in long-term certificates of deposit or in Series EE Savings Bonds. You'll earn more interest than in a conventional bank account and you can time your investment so the money is available when you need it.

3. Save for retirement

That can mean an Individual Retirement Account, a company retirement plan, or other solid financial investments. A conservative mutual fund that invests only in top-quality stocks is one possibility. Or you might risk a little more for a greater reward by investing in a mutual fund that buys growth stocks.