

Manager's Minutes

February 2020

Savings Increase

When you receive a raise, what do you do with the increase of income? Do you put that extra money away? Or do you go on a spending spree? Research shows that a raise can give the delusion of being rich, so people tend to spend more. However, if you want the same lifestyle when you retire as you enjoy now, you actually need to increase your savings every time you get a raise.

Knowing how much to increase your savings, can be overwhelming. So, an easy method is

- 1: Figure out how many years you have left until retirement. (Example: 30 years until you retire)
- 2: Take that number and double it. ($30 \times 2 = 60$)
- 3: That is the percentage of your raise that you can spend. (60% you can spend)
- 4: The rest you should save. ($100 - 60 = 40\%$ save)

The older you get, the less time you have before retirement, the less time you have to catch up, so the percentage that you need to save increases. So the suggestion at 5 years before retirement, you end up saving 90%!

This is just a guideline, so when in doubt, talk to your trusted financial advisor.

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