

# Pay Yourself First

JEN: Dang. How am I ever going to save enough for a sweet vacation? Well, at least it's payday tomorrow. I wish I had lots of money in my savings account!

FRANK: Hey, thanks for the change! But wishing won't help you build your savings.

JEN: I try to save, but I always wind up short on cash before I get paid again, so what's the point?

FRANK: The point is, you gotta pay yourself first.

JEN: Okay, I pay myself 10 million dollars!

FRANK: Hah, not likely. Let me, uhh... Ahem, let me explain. When most people get paid, they pay their bills first, then spend money on fun, and then, with what's left over, they contribute to long-term savings goals. Problem is...

JEN: You wind up without enough left over.

FRANK: Bingo. If you want to start saving, take your total monthly income and subtract your essential monthly expenses. Then take a good chunk of the remaining cash and put it into your savings the moment you get your paycheck, every time. Even a small amount each month can build up fast.

JEN: Well, sometimes I might... forget to do that.

FRANK: So, automate it! If you set up an automatic transfer into your savings account on payday, then all you have to do is sit back and watch the savings grow!

JEN: That makes a lot of sense. Kind of like how I go jogging in the morning, because if I leave it until later on, I usually end up slacking off.

FRANK: Absolutely, and the best part is, you can use this technique for all your savings goals! Like an emergency fund, your retirement nest egg, a down payment for real estate, or that tropical vacation you've dreamed of. You can even set up a separate savings account for each goal. Paying yourself first ensures that you're saving, and it lets you spend your remaining income stress-free!

JEN: Sweet! Next paycheck I'm paying myself first! Sounds way better than wishing for more savings, unless you're one of those magical talking frogs?

FRANK: Just the regular talking type, I'm afraid.

JEN: Hah, gross. So, can I get my change back?

FRANK: Nope. That's going towards my savings goals now.

FRANK: Hi, Raven! Into my savings, please!

RAVEN: Hello again, sir. Another successful day?