

Your Sherpa, LLC

Audio Session #8

Making Daily Decisions to Save & Build Wealth

Why We Must Save

Outline for session #8:

Problem:

- General lack of financial literacy

Solution:

- Learn to be financially literate:
 - Learn **why** we must save (***this session***)
 - Learn **how** to save (next session)
 - Learn **what** to do with savings (session #10)

Outline for session #8:

Will you be ready, financially, for the future?

- You need to plan ahead

Why we *must* save:

- We have many *future financial needs* over multiple time horizons
- It is increasingly *our responsibility* to provide for our family's future
- Money can *grow!*
 - ...in fact, **we NEED money to grow!**

Outline for session #8:

Why save? ...for future financial needs

- Emergency fund (several months of *basic* expenses)
- Infrequent bills (only 1-2x per year, must have money set aside)
- Pay back higher interest debt early
- Life's many major events over multiple time horizons:
 - Short-term – vacation, major repair/purchase
 - Medium-term – house down payment
 - Long-term – kid's college, retirement

Outline for session #8:

Why save? ...it is increasingly our responsibility to do so

- We are living longer
- We must save for our own retirements
 - Fewer people have a pension coming
 - Social security insufficient and long-term viability in question
- We are paying more of our healthcare out-of-pocket
- Financial services industry getting more complex
 - Need to be financially literate just to deal with professionals serving you

Outline for session #8:

Why save? ...money can grow! Compounding *builds* wealth!

- Compounding – think “interest on interest”
- Earning 7% a year: **\$X saved by age 30 becomes 2x by age 40, 4x by age 50, 8x by age 60!** ” ...growth accelerates!
- Save just \$100/month for 10 years; invest; earn 7% until age 60:
 - If done in your 20s...grows to over **\$125,000**
 - If done in your 50s...grows to only \$16,000
 - ***Start saving early!!!***

Outline for session #8:

You NEED compounding... Your NEED growth.

- Since you are unlikely to be able to set enough money aside for all future needs.
- Since growth doesn't happen in a straight line. You need to start early so there is time to ride out ups and downs in returns.
- Since inflation, the steady rise of overall prices, erodes purchasing power (\$1 buys you less in the future than it does today). You need growth just to stand still!