How much should you have squirrelled away?

Aside from saving for retirement, we all know that we should prepare for sudden expenses by regularly putting money aside for things like a new boiler or car repairs. You can guarantee there's always something that comes out of the blue. But just how do you get into the savings habit and how much should you be putting aside?

It's never too early to start saving and it's okay to start small. All it takes is a little dedication and discipline. Saving smaller amounts regularly, is more effective than saving larger amounts now and again, as you'll get into the savings habit and you're not overcommitting too much money.

If you can afford to, a useful tip is to 'pay yourself first'. Set aside the amount you can afford to save and move this money into a savings account or a separate account after you've paid your essential bills. Make savings one of the most important 'bills' that you pay, and any money you have left over after you've paid yourself and your essentials, is yours to enjoy.

It's all about psychology

If you approach saving the same way that you would treat your phone bill or your electric bill, then you're more likely to force yourself to do it.

As you start to see your savings grow, this becomes a powerful motivator. When you prioritise savings, you're telling yourself that you and your family are of the highest importance, and while money may not buy happiness, it can provide peace of mind.

What are you saving for?

If the cost-of-living crisis has taught us anything, it's highlighted the importance to have a pot of money put aside for the unexpected.

When it comes to emergency savings or short-term savings, how much you'll need to survive an adverse life event comes down to you and your family's financial situation, but a good rule of thumb is to have at least one month of essential expenses available in an instant access savings account. So, if the unexpected does happen, you'll have an emergency buffer to tide you over.

Broadly speaking, there are 5 essential costs to think about: housing, transportation, food, utilities, and debt. So, if you're spending £1,000 a month on essential living expenses – try to aim to have at least £1,000 saved in an emergency fund. If this just isn't possible, save what you can as regularly as you can. Every bit makes a big difference.

Life events

Of course, there is more to life than simply saving up for emergencies or squirreling away every spare penny for the future.

Important as this is, life is about balance and you'll also want to save for those big life events, such as a deposit for a house, your first baby, a wedding, or that dream holiday – we call these medium-term savings. Whatever life throws your way, have a separate savings pot for these things to your emergency savings, and know what it is your saving towards.

According to research, giving your account a name that inspires you to save – like 'USA road trip,' or 'First home' will help you to reach your savings goal quicker!

And remember to shop around to get the best return on your money. Many banks or building societies are now offering around 5% interest on savings accounts.

So, where do I start?

Sometimes the hardest thing about saving money, is just getting started. Here's some helpful tips on how to build up your savings:

1. Record your expenses

The first step to start saving is to review what you spend your money on. The most effective way is to write down all your expenditures – this will help you to work out where your money goes.

Once you have this information, you can allocate your spending into essential bills and non-essential bills.

Quite often, people have direct debits going out of their accounts for things they don't even use, such as gym memberships or ongoing subscriptions. You might find that you can quickly make a monthly saving on something you don't use - and if you've identified any non-essentials items, such as takeaway snacks or eating out, see if you can cut-back on these.

2. Pay off any debts first

It's a good idea to try and get any debt under control first —or to even pay it off completely, before you commit to your savings every month. Most debt has high interest rates and usually cost more than savings. You don't want your debt to eat up more money than you'll save.

If you are struggling with debt, there's lots of free advice services available across the UK that can help. We recommend Money Helper or a debt charity like **StepChange**.

3. Put a spending limit on your card

Set a limit to how much you can spend on your credit or debit cards. This stops you from overspending and encourages you to reassess your daily expenditures in advance. Many banks offer this service.

4. If money's short, start small

When it comes to saving, putting smaller, regular amounts aside is often more effective than saving larger amounts now and again. This is because you'll develop a routine for saving, so you're more likely to continue - and you'll soon start to see small sums quickly add up. Saving just £3 a day adds up to £1,095 over a year.

5. Make saving automatic

Almost all banks offer automated transfers between your current and savings accounts. You can choose when, how much and where to transfer money, so a portion of your wages goes directly into your savings account.

6. Use a savings app or use the cash stuffing method

Put yourself in control of your money by finding a budgeting technique that works for you.

An app like Plum or HyperJar allows you to budget and put any spare money aside for whatever your savings goals are.

Another great savings hack is the cash stuffing method. This means taking your money out of the bank in physical cash at the beginning of each month and (yes, you guessed it!) stuffing your cash into an envelope, a folder, a binder, or whatever money-receptacle you like to use. You can have as many envelopes as you like and each one represents one of your budgeting goals.

By stuffing the physical cash, you're eliminating the temptation of impulse spending on cards. Do keep in mind though, with this technique you will miss out on any savings interest, and hoarding cash may not be the safest of options.

Saving is so much easier when you have a plan. Follow our helpful steps to create a plan that works for you.