



## Seize the chance

*Talk of tax cuts is in the air. How big they will be and when we will benefit from them depends largely on who wins the next election. Regardless, though, a tax cut of any size gives you a golden opportunity to boost your savings.*

*The same goes for:*

- *A pay rise – whether it comes from your current employer or a move to a new job.*
- *Any reduction in expenses. Perhaps you no longer need to pay for child care, or to support an older child. Or you've just paid off a mortgage, car, student loan or other debt. Or you've simply decided to spend less on something.*
- *An inheritance, redundancy or other one-off payment.*

I'm not saying you should save all the extra money. There's a lot to be said for enjoying life now. But – if you're concerned that you won't have enough money in retirement – how about promising yourself that you will save at least half of the smaller amounts and three quarters of any large lump sum?

### WHAT ABOUT INFLATION?

*You: It's all very well planning to save half of any pay rise, but sometimes my rises aren't even as big as inflation.*

*I need that extra money just to keep up with bill payments. I can't save any of it.*

**Me:** *Sure you can!*

*It's true that my proposed saving plan is a bit sneaky, in that your standard of living might fall a little because of inflation. But it might be well worth it if your living standard in retirement is higher. A small loss now could mean a bigger gain later.*

*Think about what you spend your money on. Much of what seems essential was a luxury or didn't exist 10 or 20 years ago. Most people can easily get by without quite so much.*



Researchers in behaviour say there are four major roadblocks to saving. Here they are, and how such a plan might help you to get around them:

#### • Reluctance to cut spending

Most people find it difficult to give up spending. It means they have to change their habits.

But this won't be a problem if you plan to increase your savings only when you have extra money to do that.

#### • Can't work out how much to save

There are all sorts of formulas and calculators that can tell you how much you need to save to have a certain standard of living in retirement.

For some people, they work beautifully. Others feel there are so many future unknowns in their income and

spending that the calculations don't mean much. Or the required current savings are unrealistically high.

If the calculations don't work well for you, forget about goals and just plan to regularly save a fixed portion of all future increases in income or decreases in expenses.

Whatever amount you end up with on retirement day will be much better than nothing.

#### • Lack of self control

Most people are better at denying themselves something in the future than now, says US economist Richard Thaler. "For example, given the option of going on

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