3 Simple Tips to Save Your 1st $10,000

Description

Many fresh graduates are stuck with a big loan after finishing their post-secondary education. Other Canadians live paycheque by paycheque.

No matter what, you have the power to improve your financial security! Here are three simple tips to help you save your first $10,000.

Control your loans

It’s difficult to save when you have multiple loans weighing on your back. So, the first thing to do to get your financial house in order is to pay down your loans. That means paying back interests as well as a part of your loan as frequently as possible. After all, the only way to eliminate debt is to pay what you owe back.

Focus on high-interest loans first, which will most likely be your credit card(s). If possible, never spend more than what you can pay back each month to prevent paying high interests on your credit card.

You should also consider refinancing your debt to pay a lower interest rate on your overall debt. For instance, the interest rate on your personal line of credit should be lower than the interest paid on your credit card(s).

Some loans are big and cannot be paid back immediately. For example, many households’ largest expense is their mortgages. In this case, mortgage payments must simply be counted as continuous monthly spending until they’re paid off years later.

Interest rates are low now. Sometimes there are even terms to buy now and pay later. That has incentivized many consumers to spend more than they intend to, such as getting a new car or buying a new smartphone. Be careful not to get into the habit of spending more than you earn to limit the chance of the amount you owe growing out of control.

Pay yourself first

Once you get your loans under control, you'll have more wiggle room to pay yourself first. Set up money to automatically transfer to your savings account each time you receive a paycheque.

Initially, it could be as small as $5. As soon as you're comfortable, keep raising that bar, and before you know it, you could be saving hundreds of dollars a month. The idea is to pay yourself first.

You worked hard for your money. It's only fair that you pay yourself for your financial future, ultimately saving and accumulating a sizeable retirement fund.

Invest your money

Once you've set up an emergency fund and see excess cash piling up, you can consider investing your long-term savings in quality stocks. Many wonderful businesses reward their shareholders with periodic payments called dividends. Healthy dividends are paid from businesses' earnings or cash flows.

Here are some great Canadian dividend stocks to begin your research: **Royal Bank of Canada**, **Fortis**, **TELUS**, and **Granite REIT**. They provide initial dividend yields of 3.4% to 4.5% and are better income investments than quality bonds and other fixed-income investments. However, investors must be ready for volatility and have the mindset of being a part-owner of the underlying businesses that drive long-term stock performance.

Based on dividend yields of about 3-4% and stable growth rates of about 4% in these companies, it's not at all difficult to get long-term returns of about 7% per year from the stock market. You can increase your chance of getting +7% total returns by buying undervalued stocks.

The Foolish takeaway

If you follow the simple tips of controlling your loans, paying yourself first, and investing your money for the long term by setting specific and achievable goals along the way, you will save your first $10,000 and earn your next $10,000 much sooner than you think!

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