



Struggling to Save Money? Get Your First \$1,000 With These Tips From Warren Buffett

Description

Warren Buffett is one of the wealthiest self-made persons in the world. But unlike other billionaires who spend their money on yachts and outrageously expensive mansions, Buffett is famous for living a frugal lifestyle — one that involves living in the same house for nearly 70 years and eating breakfast at MacDonalds (with coupons).

So how can Buffett help you save your first \$1,000? Let's take a look at three of Buffett's most helpful money tips.

1. Save first, spend after

Perhaps the best way to save your first \$1,000 is to allocate a portion of your paycheck to your savings account *when* you get paid. Not at the end of the month, nor somewhere between paycheques. Set the money aside the moment your paycheck hits your account. As Buffett says:

“Don't save what is left after spending; spend what is left after saving.”

All too often, we save money the other way. We spend what we can throughout the month, then put the remaining in our savings. The problem with this, of course, is that you'll feel more tempted to spend when you see money in your chequeing account. By allocating a portion of your paycheck to your savings, however, you remove the opportunity to spend it.

To do this, simply set up automatic withdrawals from your chequeing to your savings. Coordinate these with your payday schedule, and you won't even see the money hit the bank. It will go straight into your savings account, keeping it far from your debit card.

2. Spend less than you earn

This may seem like a “duh” moment, but it's worth emphasizing. The only way to save money is to

spend *far* less than you make.

That means resisting the urge to buy luxurious items with your credit card or through “buy now pay later” apps. Here’s how Warren Buffett puts it: “I’m not interested in cars and my goal is not to make people envious. Don’t confuse the cost of living with the standard of living.”

Let that last sentence linger a moment. *Don’t confuse your cost of living with your standard of living.* In other words, you don’t have to spend extravagantly to feel happy. In fact, if we take Buffett seriously, then you might feel less satisfied if you do.

Instead, stay within your budget’s guardrails, and save up for items you can’t afford now.

3. Limit your debts

Speaking of debt, another Buffett tip is to limit how much you borrow:

“I’ve seen more people fail because of liquor and leverage — leverage being borrowed money. You really don’t need leverage in this world much. If you’re smart, you’re going to make a lot of money without borrowing.”

Some debts can’t be helped. A mortgage, for instance. Not many people have the ability to save \$500,000 to \$700,000 for a home, at least not in the short term. Other debts can — and should — be avoided, such as credit card debt and loans.

Take credit card debt, for instance. As Buffett has said before, credit card debt is like an investment in reverse. Unlike an investment, which accumulates earnings the longer you keep your money invested, credit card debt amasses interest the longer you don’t pay it. Given that credit cards have high APRs (anywhere from 19.99% to 30%), you definitely don’t want to stay indebted to your card provider for any length of time, short or long.

Of course, that doesn’t mean you have to cut your credit cards and avoid them forever. When used properly, credit cards can build your credit score and help you earn rewards. Just be cautious with how much credit you use, and avoid charges that can’t be paid off in a single billing cycle.

Bottom Line

Putting these tips together — spend less than you make, save first, and avoid high-interest debt — you’ll put yourself in a great place to save your first \$1,000. Another tip is to build a budget around a savings goal. For instance, if you want to save \$1,000 in six months, you can set aside \$200 each month, then budget out whatever is left.

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