3 Reasons You Need an Automatic Savings Plan

“Save money” is a timeless bit of personal finance advice, but actually doing it can be another story. If you need a way to boost your savings and stay consistent with your goals, setting up an automatic funds transfer can help.

There are two ways you might do this. You can set up a transfer from your checking to a savings or investment account at your financial institution. Another method can be having a portion of your paycheck directed into a retirement or other account by your employer, if possible. Here’s a closer look into why saving this way might help you reach your goals.

1. No effort needed after setup

Once you start automatic transfers, which might be made every week or two, you don’t have to give it another thought. This can be helpful if you tend to second-guess your saving decisions, such as whether you actually need to save 5% or 10% of your income this month. This way you can avoid doubting yourself and keep the savings flowing.

2. Building the habit of spending less than you make

Automating the process lets your savings grow unattended. If you schedule the transfer around the time that your earnings arrive, the money for savings never really mixes with your spending funds. Over time, you may get used to living on that smaller amount too, making it easier to let your savings build.

3. Keeping accounts separate

Transferring funds this way can help you limit your spending based on what’s available in your checking account. Plus, if you want to tackle multiple savings goals at once, such as putting away funds for a vacation, retirement and emergencies, these transfers can help you contribute to them consistently. You can stay organized and not have to worry about forgetting a transfer one week or losing track of your goals.

For these reasons, using automatic transfers can empower you to save without investing much time or energy. Think about it: You can achieve a goal simply by sitting back and letting your money grow.