ENJOYING THE RIDE

FORCED INTO SUCCESS!

BY SCOTT BROWN
EBS CONTRIBUTOR

As the Beastie Boys famously said, "You've got to fight for your right to party," this mantra has guided me through life as a balance between working hard and playing hard. Creating a well-lived life requires finding that equilibrium, and for me, budgets don't feel like a party. Instead, forced savings plans have been the recommended solution rather than solely focusing on controlling spending or sticking to a budget. Forced savings plans serve as a mechanism to ensure that you pay yourself first, by setting aside money in a savings or investment account as soon as you receive your paycheck. By doing this, you're free to spend the remaining funds without guilt or worry.

There are various forms of forced savings programs that can help you in this endeavor. For example, making mortgage payments can be considered a form of forced savings, as it builds equity in your home. Additionally, contributing to a 401(k) or IRA each month or adding to a brokerage or savings account can also be effective ways to save. Even certain types of permanent life insurance policies that accumulate cash value can be seen as a form of forced savings. The key is that these savings programs fund not only your present needs but also your future aspirations.

Through a forced savings plan, you can allocate funds towards important aspects of your life, such as

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owning a home, planning for retirement, purchasing an engagement ring, going on vacations, buying cars, covering higher education costs, pursuing hobbies, and even paying off debt. By prioritizing these areas, you are essentially paying yourself first and investing in your future self.

If you're new to this approach and have little to no cash reserves, it's advisable to aim for at least three months of expenses in a cash reserve if you're married or in a partnership, and six months if you're single. This safety net ensures that you have a buffer to cover your shared or individual expenses in case of unexpected financial challenges.

In terms of retirement planning, it's generally recommended to contribute roughly 10% of your earnings to a retirement plan. This consistent saving over time can help secure a comfortable future. When it comes to mortgage payments, my opinion leans towards continuing with a 30-year fixed-rate mortgage instead of making prepayments. However, if you do choose to make prepayments, making one extra payment per year can reduce your mortgage term to 21 years, providing a quicker path to debt freedom.

Implementing forced savings programs can be made easier through pre-authorized monthly contributions from your paycheck to your 401(k) or IRA. You can also automate transfers to a savings or brokerage account of your choice, promoting consistent investing, and removing the need for constant manual efforts. This hands-off approach ensures that you save at regular intervals, regardless of market highs or lows. It also maximizes the power of compounding growth by investing as soon as money becomes available, rather than trying to time the market.

It's important to keep in mind that excessive credit card spending can undermine your savings efforts. If you overspend on credit cards, you may find yourself tapping into your hard-earned savings to pay down debt. To avoid this, consider setting a monthly limit on your credit card or opting for a lower, more reasonable limit. Alternatively, using a debit card can help you stay within your means and avoid unnecessary debt.

Forced savings is a simple yet effective way to ensure that you spend less than you earn and invest in your future. We all have reasons to push ourselves to do things, especially when it comes to pursuing our passions. Just as we force ourselves out of bed to go to work or engage in activities we love, like hunting, fishing, biking, golfing, skiing, or whatever pursuits pull you out of bed, sometimes forcing ourselves is the surest way to Enjoy the Ride!

Scott L. Brown is the CEO and Founding Partner of Shore to Summit Wealth Management. His wealth management career spans more than 25 years, and he currently works and lives in Bozeman, MT with his wife and two sons.