Pay Yourself First

Paying yourself first is a financial strategy suggesting individuals should contribute to accounts such as savings, retirement or emergency before spending income on any other items. This includes bills, groceries and other discretionary items.

Advantages of the pay yourself first method include:

- Progressive saving for large purchases, such as a house or car
- Progressive savings to build accounts, such as emergency, savings or retirement
- Contributing to accounts with high interest rates to maximize return

Drawbacks of the pay yourself first method include:

- Lack of budgeting in between paychecks
- Difficulty meeting financial needs
- Deciding between paying off debt and saving money

When utilizing the pay yourself first method, one should follow these steps:

1. Evaluate monthly income and expenses
2. Identify savings goals and commit to achieving them
3. Review the savings strategy after applying them
4. Reevaluate the strategy and adjust as needed

For investors to be successful at utilizing the pay yourself first method, the following tips can be applied:

- Seeking advice from a financial advisor
- Auto-drafting the desired amount into savings accounts
- Consider your employer’s 401(k) retirement plan for benefits
- Monitor savings to see the difference
- Maximize savings by reducing spending