

# Definitive Guide to Paying Yourself First

Exclusive Gift From 5 Minute Money Tips



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# What is Paying Yourself First



Do you pay your bills first or do you pay yourself first? Most of us pay other people first leaving ourselves standing at the end of the line begging for a few leftover crumbs. If you are not paying yourself first, you will never be wealthy.

This following pages will give you **7** solid practices you should be using to pay yourself first. Are you ready?



# How To Pay Yourself First

1. Traditional Approach
2. Make It Automatic
3. Yearly Increase
4. Double Down
5. Bill Replacement
6. Overcommit
7. Have A Little Faith



# Traditional Approach



Your budget should have a line item for you. Each paycheck, move money into your designated savings account. To do this, open a free savings or checking account that allows you to transfer money from your existing account.

**Tip** – Open an account at [www.lendingtree.com](http://www.lendingtree.com) and start lending your money to others.



# Make it Automatic



If you are like me, you've tried the traditional approach and it just did not work. Make the transfers automatic by...

- \* Logging in as soon as you are paid and transferring the funds.
- \* Set up automatic savings transfers to take place the same morning you are paid.
- \* Have your employer redirect the money to your 401k account or other savings account before you ever get your hands on the money.



# Yearly Increase



My wife's 401k has the option for a 1% yearly increase to coincide with her yearly pay increase. In 10 years, she went from saving 3% to 13% in her 401k account without even noticing. Take advantage of this and increase the payment to yourself by 1% or more each year. Set a reminder in your email if needed.

**Tip** – Supercharge your savings by increasing the savings contribution by the full pay increase (usually 3%). You won't miss the \$8 per paycheck raise anyway.



# Double Down



Are you frustrated with your absolute lack of savings? When you are only saving a few dollars each paycheck, **make a bold move** and double your savings contribution. Force yourself to make it up somewhere else. For example, if you are only saving \$25 each paycheck, double it to \$50 immediately and don't look back. Repeat as needed until it hurts or you have reached your goal. You'll be amazed at how little it hurts in the beginning.



# Bill Replacement



How many times have you paid off a bill, got excited about the extra cash, only to get depressed 3 months later because you don't know where that extra cash went? Every time you pay off a bill you need to continue paying it... to yourself. Make sure you leave that line item in your budget and at the same time each month, transfer the exact dollar amount to your savings account.





# Overcommit



We often overcommit our time and our money, so why not overcommit to your savings? Pick your ideal amount of money you want to save each month. Transfer that amount to savings immediately after each paycheck. At the end of the month, if you need to take some money back to pay bills, that is okay. Make it a game to try to transfer less back each month.

**Tip** – Make sure there are not penalties on your savings account when transferring money out.



# Have a Little Faith



If you are like me, the biggest thing holding you back from paying yourself first is **FEAR**. It is a nasty 4 letter word that does more financial damage than anything else in life. The best thing to conquer fear is **ACTION**. Take action by starting out with your minimum fear payment. Take the minimum amount you are comfortable saving and multiple it by 2. Move this amount to savings right after your next paycheck. Congratulations, you have just taken action! Try to repeat this the next paycheck. If you don't, that is okay. Just try again the next paycheck until you overcome your fear.

**Comfortable Savings Amount X 2 = Minimum Fear Payment**

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# Start Now

Congratulations. You are ready to start your journey. Start saving until it hurts. When it hurts, let up a little and then crank it up again. Good luck.

