

# Small Steps to Health and Wealth

## Strategy 15 - Automate Good Habits and Create Templates (Wealth)

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**As David Bach, author of The Automatic Millionaire, notes, "Do it once—the rest is automatic!"**

There are a variety of ways to automate one's personal finances and put saving and investing on automatic pilot. Financial planners often use the term "pay yourself first" (PYF) to describe a disciplined savings habit where savings are deposited from a worker's gross income before the money can be spent. A good analogy for PYF is the withholding that is done automatically for income taxes (unless you are self-employed and must do your own withholding). Just like the government deducts taxes from your gross income, you can choose to have money for saving and investing deposited as an "expense" in your household budget. "Think of it as a bill you owe yourself," says the National Endowment for Financial Education. So how do you automate good financial practices? Put them on a regular schedule or follow a predetermined plan.

### Examples of ways to automate your finances:

- ✓ Enroll in your employer's 401(k) or other retirement plan. You choose how much of your pre-tax paycheck to contribute and the plan automatically takes it out each pay period. Often times, your company will offer a matching program, which will help you grow your retirement funds faster. Then, each time you receive and increase in wages, increase your contribution in the plan.
- ✓ Set up automatic transfers from checking to a savings account each pay period.
- ✓ Set up online automatic bill pay for services you normally pay monthly such as utilities, rent and credit cards. Often, providers will offer benefits or discounts for auto bill-pay.
- ✓ Utilize free computer software programs to create and track spending plans and a budget. Microsoft Excel also has several spreadsheet templates that can be used.

## Saving Money

The first step to saving money is to record your expenses. Track expenditures for a month. That means every coffee, snack and magazine. Once you have the numbers, organize them by categories such as household (rent, utilities), groceries, credit cards, and entertainment (that cup of specialty coffee goes here). What did you discover? Use the information you collected to make changes such as reducing entertainment expenditures by 30% and put that extra money in savings or pay more than the minimum payment on a high interest credit card.

**DECIDE.  
COMMIT.  
SUCCEED.**