

# Saving Money

## Make it automatic



**Instructions on setting up an automated process to ensure you get paid first.**

### **Step 1 Set up the right bank account structure**

Ensure you have 3 different bank accounts set up (preferably all of these bank accounts would be 100% offset accounts offsetting your home loan).

1. The first bank account is where your income is paid into and where your bills and living expenses come out of. This bank account is linked to an ATM card and you have internet banking access to make internet payments from this account. Nickname this account on your internet banking 'everyday account'.
2. The second bank account is your investment bank account. Nickname this account on your internet banking 'investment account'.
3. The third bank account is your emergency bank account. Nickname this account on your internet banking 'emergency account'.

The investment and emergency accounts should not be linked to ATM cards, and it should not be easy for you to be able to spontaneously access the money in these accounts. Once money goes into these accounts it is important that it is not taken out of these accounts for any purpose other than what it is supposed to be used for. For example, the money in your investment bank account is money that you have available to invest into building your property portfolio, whilst the money in your emergency account is strictly for emergencies. When I say emergencies, I am not talking about instances where you need to get a new outfit for the party on the weekend or you desperately need a holiday. I am talking about real emergencies like your hot water system or fridge breaking down and needing to be replaced.

### **Step 2 Make a commitment to yourself of what % of your net income will go in the emergency and investment accounts**

Percentage of Net Income to be allocated towards Emergencies

..... %

Percentage of Net Income to be allocated towards Investment

..... %

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06



### **Step 3 Automate payments into your emergency and investment accounts**

#### If you are an Employee

Once you have your bank account structure right, ask your employer to split your pay into 3 separate accounts, so that 10% (or your pre-determined %) automatically goes into investment account and 10% (or your pre-determined %) into your emergency account before you even see your pay. If your employer is not able to do this, you can set up automatic regular transfers on your internet banking, programmed to transfer 10% of your income (from your everyday account) to each of your investment and emergency accounts on the day that you will receive your pay.

#### If you are Self-Employed

If you are self-employed, every time you receive income into your business, just as you would put aside 10% for GST, at the same time you should be transferring 10% into your investment account and 10% into your emergency account.

### **Step 4 Stick with it**

The easier you can make the process and the more automated the process is, the better your chances of sticking with it and turning your life around. The most important thing is that you make a commitment to yourself to make this your new way of life. If you find yourself having days or weeks when you are tempted to stop paying yourself first or to take money out of the investment and emergency accounts, it is extremely important that you go back to your dream board and the long-term goals you set yourself when you read chapter 1, to remind yourself of why you are doing it and keep yourself on track.

