

Cutting Spending Can Help Boost Retirement Savings

Like most of us, you may someday want to enjoy a comfortable retirement. Your ability to achieve this goal will depend on how much you save — but it also matters how much you *spend*.

And saving and spending are certainly related: The more you can reduce your spending, the more money you could have available to save for retirement through your IRA and your 401(k) or other employer-sponsored retirement plan. Over many years, even relatively small amounts diverted from spending to saving and investing could add up substantially.

How can you go about potentially reducing your spending? Here are a few suggestions:

- *Use a budgeting tool.* If you're not already doing so, you might want to consider using a free online budgeting tool. Among other capabilities, these apps can place your spending in categories — groceries, travel, entertainment, and so on — which can reveal redundancies that, once eliminated, could save you money. For example, you might find that you're spending a not-insignificant amount on streaming services you rarely use. Or you might be surprised at how often you go the grocery store, rather than consolidating your visits and reducing the likelihood of “impulse” purchases.

- *Take advantage of employee benefits.* If you work for a mid-size or large company, you may have an extensive employee benefit plan, which could include discounts on some products and services. Also, if you are enrolled in a high-deductible health plan through your employer, you might have access to a health savings account (HSA) or flexible spending account (FSA), either of which may let you lower your out-of-pocket

health care costs by using pre-tax dollars to pay for deductibles, copayments, coinsurance and some other qualified expenses.

- *Shop around for insurance.* To some extent, we are all creatures of habit, which can be good in some circumstances and not so good in others. In the “not so good” category, many people stick with their auto, homeowners and life insurance policies year after year, even though they might be able to save some money by switching to another company. But even if you stay with your current company, you might find ways to save money by taking steps such as adding a home security system. Check with your insurer to learn more.

- *Compare credit cards.* There's a piece of financial advice that essentially says: “Pay cash for everything” — and this isn't a bad idea. Ideally, you might want to use a credit card strictly for items such as car rentals or hotel reservations, and you should pay off the bill each month to avoid interest charges. Sometimes, though, you may need to use your card for other purposes, and it may not always be possible to pay your bill in full. That's why you'll want to review credit cards periodically to find one with lower interest rates, a favorable balance transfer offer and a better rewards program.

It's not always easy to cut down on your spending, but when you do, it can provide more peace of mind — and an opportunity to boost your savings for what could be a long and active retirement.

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