

HOW TO REBUILD YOUR SAVINGS IF YOU SPENT IT ALL ON A DOWN PAYMENT



By: Gabrielle Olya - September 9, 2021

Many people save for years to be able to put a down payment on a home — and then when they make the purchase, their savings may dwindle to next to nothing. After depleting what's likely in the five or six figures worth of savings, it can seem impossible to rebuild that back up. Plus, it's hard to stay motivated to save when you feel like you're starting from nothing.

If you're in this boat, use these expert tips to get your savings back on track.

Practice Financial Maintenance

The first step in rebuilding your savings is to take note of what you're actually working with. How much do you have saved across different accounts? How much debt do you owe and to whom?

"Start making detailed lists of every monetary account," said Ryan Cicchelli, founder of Generations Insurance & Financial Services in Cadillac, Michigan. "Information should include balances, interest rates, APRs, limits and current amounts owed for each one."

Pay special attention to any debt you owe, and see if you can take any steps to lower your debt.

"Have a credit card you took out in your younger years? You may be able to talk the bank into giving better interest rates or replacing the card with one offering better advantages," Cicchelli said. "If any cards offer rewards programs that you might have ignored for years, there is a distinct possibility there could be cash back available, gift cards, flight mileage or any of a number of different incentives companies used to entice people into applying."

Any money you save on debt repayment can be funneled into savings instead.

Look For Ways To Trim Your Current Expenses

You'll be able to save more if you spend less, so

see if you can find any expenses you may be able to cut back on as you rebuild your savings.

"Using either an app or a piece of paper, write out every penny that is spent over the course of a month," Cicchelli said. "Then, go through those expenses to find out exactly where your money is going. This will help uncover amounts you regularly spend on needs, wants and 'waste.' Look for ways to trim needless expenses you may not have even realized were coming out or ones you know you can easily do without."

Common examples of "wastes" are unused subscriptions set to auto-pay, overpayments and bills that seem too high.

"The time has come to start canceling derelict subscriptions and griping to companies about strange charges," Cicchelli said.

For expenses that you want to keep in your budget, see if you can find cheaper alternatives.

"You may have discovered a company or two you patronize that may no longer be a proper fit in your life," Cicchelli said. "This is where you get to haggle with providers or start shopping for alternatives. For example, cell phone providers are notorious for changing their plan structures every other Tuesday if the sun is shining. It may be beneficial to stay apprised of these changes because it could mean lower rates for the same services by making an easy internal switch. There is also the possibility a competitor could have stronger offerings. It pays to occasionally evaluate exactly what you need from a service and then dissect the other options available to you. This can be done with every service from insurance carriers, all the way down to where you buy daily impulse items."

Get on a Budget

"This is another area people tend to neglect, but it is vitally important if you want to add more dollars to your savings every month," Cicchelli said. "When you devise a budget and stick to it, the process creates mental checkpoints every time you think about spending money. This is a great habit to have, especially if you need a little assistance to fight impulse buying."

Figure out how much you need to spend on fixed

expenses now that you've cut out wasteful costs and negotiated with your providers, and then figure out how much you will have left over after covering these expenses. A portion of the leftover funds should be immediately funneled into savings, and a portion can be dedicated to discretionary spending. And while it's important to budget for savings, you don't want to completely cut out discretionary spending.

"Moderation is key," Cicchelli said. "If you tighten down too much, you run the risk of fatiguing yourself and losing sight of your goals. Remember, you are striving for better financial health, but not at the expense of living your life. You do not need to eat a strict diet of ramen instant noodles and stay home every Saturday night. Budgetary allowances for entertainment are vital. A happier, healthier you is far more likely to succeed than a hangry and emaciated alternate-reality version."

Have a Savings Goal

Now that a down payment is no longer your savings goal, pick a new goal to help keep you motivated to stay on track.

"Identifying a specific savings goal [will help you] to stay focused and reduce the likelihood of withdrawing for unrelated uses," said Valerie L. Harman, CPA, CFP, tax and financial planner for Buckingham Advisors in Ohio. "A primary savings goal should be an emergency fund of at least three to six months of living expenses. Other goals may be saving for retirement, education, or a large purchase such as new furniture or a dream vacation. You may want to work on more than one savings goal simultaneously, such as retirement and a dream vacation. Save in separate accounts for these goals, so that one goal is not sacrificed for another. Utilize an appropriate type of account vehicle for each savings goal."

Take Advantage of Any Financial Windfalls

In addition to regularly contributing to your savings as part of your monthly budget, you should also funnel any financial windfalls directly into your savings, as this will help to rebuild it faster.

"Adding windfalls, such as bonus pay or a tax refund, to your savings will provide an enthusiasm boost as you see your balance grow," Harman said.

Ryan Cicchelli, founder of Generations Insurance & Financial Services, is committed to providing clients with financial security through a personalized, friendly approach. Ryan's top concern is helping clients make informed decisions about all things related to healthcare and retirement.

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