

World Thrift Day 2022: 5 simple ways you can adopt to become a better saver

On this World Thrift Day 2022, we speak with experts on ways a salaried person can increase their savings

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World Thrift Day is observed on October 30 every year in India and on October 31

worldwide to promote the habit of savings among people, primarily through thrifting. The day, also known as World Savings Day, was established by the World Society of Savings Banks almost a century ago, on October 31, 1924, at the first International Savings Bank Congress in Milan, Italy. The day also aims to educate people about the importance of putting their savings safely into a bank rather than their home. This year's message is "savings can make all the difference". It aims to raise awareness about how savings play a key role in building financial resilience and being prepared to face difficult times in the future.

According to the data released earlier this month by the Reserve Bank of India on Indian household savings for the fiscal year 2021-22, as of March 31, household gross financial savings stood at 10.8 per cent of gross domestic product (GDP) at the current prices. This is a decline of over five percentage points from a year earlier when that figure peaked at 16 per cent of the GDP. RBI data also show that the savings of Indian families are held mainly in cash, bank deposits, mutual funds, insurance and retirement funds. Household savings help families cope with emergency requirements and for significant life events like higher education, marriages, and retirement.

Business Standard spoke with expert Avinash Luthria, a Sebi-registered investment advisor and founder of Fiduciaries, to know how salaried people can increase their savings easily and efficiently. Here are five tips that you can follow:

Try to save 50 per cent of your post-tax salary

For youngsters who have just started their career or those in the middle of their career, experts recommend that they aspire to save 50 per cent of their post-tax salary. "For example, if your CTC (Cost To Company) is Rs 100 per month, out of which Rs 20 is the tax, then out of the remaining Rs 80, target to keep Rs 40 aside for your savings. These savings may also include your provident funds, insurance and paying off loans such as education loans. Use the other Rs 40 for meeting your needs," said Luthria.

Experts also suggest that those who have just started earning should start with a smaller goal and gradually work towards achieving the target of 50 per cent.

Work backwards: Save first, then spend

When it comes to achieving saving goals, the best way is to save first and then spend. "Remember that the equation should be 'income minus savings equal to expenses' and not the other way round. Once you have identified your goal, figure out how much you need to put aside for achieving that goal and then manage your expenses with what is left. Work backwards," advised Luthria.

He asserted that focusing on saving first comes with its own challenges, as it requires one to be disciplined and not give in to their temptations. He said, "The sooner you accept that your savings will be your best friend on rainy days, the better. Adopt a frugal lifestyle. There is no shame in saying no to things your peers might be into and are ready to spend their money on. You'll be thanking yourself in the long run because the reverse story is scarier."

Have a budget or think more than twice while making each expense

According to experts, keeping track of where one's money goes is important. This exercise can be an eye-opener as usually, what one spends in a month is much higher than what they would have expected or intended to. They suggest making short-term and long-term budgetary plans. However, Luthria added that each day and each month are different for people, so the "one size fits all" approach can be impractical for personal savings. Those who are frugal by nature may benefit from thinking carefully while making each expense.

Set up an automated saving mechanism

Experts said that to save money from their salary, one can easily invest in a platform that automates savings and generates good returns. Luthria said, "I am a big fan of automating saving via mechanisms like SIPs (Systematic Investment Plans) for investment. It will help you stay disciplined because sometimes, it is difficult to make a conscious effort to put aside a proportion of your hard-earned money for a rainy day. Automation helps you save money without thinking about it."

Visualise yourself as an older person

Visualising oneself 20-30 years from now helps motivate one to identify savings goals and stick to them. "You can even try the easily available apps that show you how you will look in the next 30 years. It acts like a good reminder that you are going to get old and should prepare for it. It is your journey, and so you should not compare yourself with others. Do not spend on giving gifts and or lend money to your friends/family members often. Avoid maintaining too much of liquidity at home. Put away the cash into FDs (Fixed deposits)."