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Saving Despite the High Cost of Living

A question we often hear from clients is “How do I save money when the cost of living today is so high?” This question is not as simple to answer as it may seem given the various factors involved. Let’s begin with setting some context around the discussion of the savings issue. Clients in their working years typically rely on savings as one of the primary methods of funding future goals and needs. However, simply contributing to savings may not accomplish what clients want or need. Clients should understand what they are saving for, how they are saving and what options for saving are available and how each works.

Since the most common source of savings contributions is from a client’s earned income, it is clear that the amount of earned income which is saved has a significant impact on current lifestyle. This is because the saved funds are not available for immediate goals and so lifestyle may be reduced due to those savings. At the same time, however, the rate of inflation ostensibly continues to be very low. This factor, on its face, militates against complaints about the high cost of living since prices are said to be increasing only slowly. There are many ways to measure inflation, so a low rate does not necessarily mean that costs are not going up significantly for certain items deemed necessities.

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