THE IMPORTANCE OF A REGULAR SAVING HABIT

Maintaining monthly savings levels or committing towards new savings against a difficult economic backdrop can be challenging.

The cost of living remains sky-high, but it's important to try and stick with your regular savings and investment habits.

The last few years taught many households the importance of having robust savings to call on when times get tough. Here are six things that can help motivate you to persevere with regular investing:

1. Make savings automatic

Automating your savings keeps investments going without having to make the conscious decision to part with money and make the transfer.

Having amounts on payday that go towards your savings and investments can help you become a more disciplined investor.

2. Regular investing smooths market bumps

By drip-feeding your money into an investment over time, you invest across a range of share prices. This effectively means you pay an average price; never buying 'at the top' of the market or, in other words, never at the most expensive price.

This is known as 'pound cost averaging' and means that you do not have to worry about trying to decide when the best time is to invest, which is also known as trying to time the market.

3. Streamline finances

If you're feeling the strain of the rising cost of living, remember that your investments are another way of paying yourself for a more secure future.

By limiting spending in other areas, you can continue your investment journey and keep saving. Take some time to review your bills and ensure you're on the best deal for everything from your mobile phone and broadband to your mortgage and TV subscriptions. Keep going until you have made some savings.

4. Stock markets do better than cash

When interest rates are rising against threats of recession and economic difficulty at home and abroad, it may be tempting to consider keeping long-term money in a savings account. You can get around 5% on savings in an easy-access account at the moment - and higher rates for fixed-rate accounts.

But historically, stock market returns outweigh those from holding savings in cash. The Barclays Equity Gilt Study shows shares have beaten cash 91%[1] of the time over a ten-year period. The longer you're prepared to stay invested, the greater the chance your investments will produce positive returns.

5. Benefit from the magic of compounding

Saving over the long term enables you to benefit from the power of compound growth. In simple terms, your money earns a return in the first year, in the second year and both the original investment and the return benefit from any growth in the second year. In the third year, your investment is enhanced by any returns achieved. This snowball effect is called compound growth.

6. Regular investing removes emotion

It's easy to be unsettled when there is lots of seemingly bad news around. However, it's important not to make knee-jerk reactions to economic worries and stop your investments. Letting your emotions control your investment decisions can be a costly mistake. Remember why you picked your investment in the first place, keep calm, and continue.

Your investments can go down as well as up and you may get back less then you originally invested.

Source:

[1]https://www.thisismoney.co.uk/money/saving/article-12173569/One-year-fixed-savings-deals-paying-5-plus-look-good-pass-up.html