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When it comes to saving, follow a five-step plan

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To spend our money today or to save it for tomorrow? It’s a question many of us grapple with everyday.

There are plenty of reasons people prioritize spending over saving. For one, “they have immediate needs to meet, and things come up, like emergencies, that require them to spend,” explains Renee Porter-Medley, a senior financial planner at Key Private Bank in Naples, Fla. Sometimes, however, the choice to spend rather than save is an emotional one that isn’t necessarily in a person’s best interests, she acknowledges. “It’s a lot more fun to spend [money] now. We are not good at delaying gratification.”

Saving for the future can be gratifying in its own right, though, because it puts a person that much closer to fulfilling their goals and realizing their dreams — buying a new home, for example, or living comfortably during retirement — while also providing protection against some of life’s unexpected turns. On the other hand, people with live-for-today spending habits could find themselves spending a lot of time worrying about their financial future.

What’s the best approach to saving for the future? Use this five-step plan from the Financial Planning Association (www.FPAnet.org), the nation’s largest organization of personal finance experts, to help set your priorities:

• Establish an emergency fund. The first order of business, according to Porter-Medley, should be to set aside money in a savings account to cover unexpected expenses, such as home, car or appliance repairs. Contribute to the emergency fund regularly (a monthly automatic deposit makes sense), until you have a sizable enough cushion — she recommends a minimum of $1,000, and preferably more.

• Stash cash reserves. The rule of thumb, said Porter-Medley, is to have enough cash reserves saved to cover at least three months — and preferably, enough to cover six months — of living expenses, in case of job loss, illness, disability and the like.

• Commit to saving for retirement. “You have to take care of yourself first” before you start saving for others, asserts Porter-Medley. “It’s like the oxygen mask on the airplane: put yours on first.” That applies especially to saving for retirement. Everyone wants to retire on their own terms — when and how they want. The sooner you start and the more you allocate to an account like a 401(k) or IRA, the better positioned you’ll be to fulfill your vision for retirement. “The reality is that most of us have to accumulate our retirement savings ourselves, we have to start young and we have to keep going with contributions,” she said.

• Set aside money for a major purchase, like a home or a car. Debt can mount quickly and become quite a burden. So if you plan to buy a home, for example, the more you can save toward a downpayment, the less debt you’ll have to assume for a mortgage. Look to put the money in a higher-interest savings account.

• Be smart by saving for a child’s education. With the cost of a college tuition continuing to escalate, it makes sense for parents (and, perhaps, grandparents or other family members) to start saving for a child’s education well in advance, if possible. Many finance experts recommend doing so with a tax-favored “529” college savings plan. Each state has one and you are not limited to your own state’s plan. Visitwww.collegesavings.org for more info.

This week’s Money Matters column is provided by members of the Financial Planning Association of Greater Kansas City.