



Savings Rate

What is Savings Rate?

Your savings rate is the amount of money you set aside from your income that contributes specifically to your long-term savings, retirement goals and financial independence goals. It's typically expressed as a percentage of your total income:

$$\text{TOTAL SAVINGS/TOTAL INCOME} * 100 = \text{SAVINGS RATE (\%)}$$

There is no hard and fast rule for a “normal” savings rate. This is a very personal decision and will depend on your long-term financial goals. How soon do you want to be financially independent? How much money do you need to achieve financial independence? Information about the U.S. Savings Rate can be found here: <https://fred.stlouisfed.org/series/PSAVERT>.

Why is savings rate important?

Savings rate provides a broad perspective on what you are doing with your money to help you in the long-term. Knowing how much of your income you are setting aside for your future financial independence can be extremely motivating.

How often should your savings rate be calculated?

Generally speaking, savings rates don't change often, so calculating your savings rate once **every 6 months** is adequate or whenever changes are made to your long-term savings strategy. Did you get a raise and increase your retirement contribution? Did you pay off debt and start saving for a house? These are examples of times when you will want to re-calculate your savings rate. At first, it may be helpful to calculate your savings rate monthly to get a sense of how this number fluctuates in the short-term.

Use your savings rate data to:

- Provide you with a broader purpose for what you do with your money
- Set short and long-term savings rate goals with actionable steps to achieve your long-term savings and retirement goals
- Prevent lifestyle creep



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Savings Rate Calculation

Income:

Gross Income 1: \$ _____

Gross Income 2: \$ _____

Other income: \$ _____

Total Income (less taxes): \$ _____

Savings:

Retirement contribution: \$ _____

Retirement contribution: \$ _____

Mortgage principle paid: \$ _____

Extra CC or debt payment: \$ _____

Other investment savings: \$ _____

Other: _____ : \$ _____

Total Savings: \$ _____

Total Saved ÷ Gross Income x 100 = \$ _____ (Savings Rate)