10 great strategies to save money

Start small and pay off those loans. Here's a list of ways to stretch your finances and account for every penny.

By Mary Rowland

1. Start small.

Experts suggest you save 10% of your income. It's a good goal. But don't give up just because you can't save that much. Establishing a savings habit and saving consistently is better than putting aside a big sum just once. Start with something you know you can live with -- say, $25 a week. Promise yourself that you will save that much every Friday.

2. Sign up for the 401(k) plan at work.

Contribute up to the amount of the company match, which is the amount your employer kicks in when you contribute. The most common match is 50 cents on the dollar. This gives you an immediate 50% return on your money.

3. Monitor your ATM withdrawals.

Decide how much you will take out each week and make it last. Make it a little tight. And try to decrease it over time if you can. If you have money left at the end of the week, put it into your savings account.

4. Pay off all your credit cards and student loans.

List your credit cards beginning with the one with the highest rate. Cut up all of them except the two with the lowest rates. Begin paying extra every month on the card with the highest rate. When it's paid off, move to the card with the next-highest rate. When you're finished, start adding $50 a month to your savings account. By paying down debt, you get a return of whatever the interest rate happens to be. So pay off $1,000 that you're carrying at 18% and you get an 18% return. Even in today's market, that kind of return is not easy to generate.

5. Set up an automatic investment plan.

You can arrange to have as little as $50 a month deducted from your bank account and deposited into a mutual fund account. Here's an that lists funds with below-average risk, low minimum purchase requirements and a good, steady record of solid returns.

6. Pay a little extra each month on your mortgage by "rounding up."

You will add equity to your home, giving you extra flexibility when you decide to move or refinance. If you prepay $100 a month on a $150,000 loan, you will save $72,952 in interest and shave 7 1/2 years off the loan. You don't have to commit to paying a specific amount. Just round up your payment to the nearest hundred.

Once you've become a reliable saver, it's time to think about how to earn a better return. One simple way to do that is to take some money from your bank savings account and buy a certificate of deposit. Consider this: Bank passbook accounts are paying about 2% or less. If you buy a 1-year CD, you can get about 2.59%. Granted, it’s not like just a few years ago where you could get 5% (at an annualized rate) on a 1-month CD, but it’s better than a passbook. Next, you'll be ready to start investing.

7. Pay off your car loan.

Interest on your car is not deductible unless it's through a home-equity loan. Even then, the rate is probably higher than on your mortgage. Pay it off and save.

8. Open an IRA.

Do this only after you've maxed out with your company's retirement plan. You'll probably come out best with the Roth IRA, which means you contribute after-tax dollars, but then get to withdraw it in retirement tax-free. If, however, you think you're going to be in a lower tax bracket at retirement or you've already contributed significantly to a regular IRA, you may want to stick with the traditional version.

9. Evaluate your term life insurance policy.

If you've had the same term life insurance policy for some time -- say, five years or more -- you can probably cut your premiums dramatically by changing policies. Here's why: Term is straight insurance protection. When you buy a policy, you get a medical exam and the insurer knows you're healthy. But each year the premium increases -- as you grow older and the time stretches out after your health exam. If you apply anew and get a fresh exam, the insurer sees you as a better risk. In addition, there's a premium war going on right now in term insurance.

10. Account for your money.

People who know where their money goes spend far less and save more. Keep a little notebook with you to record your small cash purchases.