

Spending less during the pandemic?

Make the most of those savings.



For many people, the pandemic has been financially stressful due to job cuts, reduced hours or other challenges. And for some, it may be devastating. An estimated 88 million–150 million people globally will move into extreme poverty this year, which means they'll live on US\$1.90 or less per day. About 82% of the new poor will be in middle-income countries.¹

Yet at the same time, many people have made economic gains – and not just billionaires. Those who didn't experience reduced incomes may have actually built up savings during a time when travel, restaurants and other entertainment options were limited.

A review of the U.S., China, the U.K., Spain, France, Germany and Italy estimated that households **saved an extra US\$2.9 trillion during the pandemic.**²

According to a January 2021 study, some families in the U.S. said their financial situations were better than a year ago:³

- **39%** with upper incomes
- **32%** with middle incomes
- **22%** with lower incomes

And some respondents were able to put more into savings during the pandemic:³

- **32%** with upper incomes
- **22%** with middle incomes
- **16%** with lower incomes

A Deloitte study showed that respondents in **nearly all countries surveyed planned to spend less in the upcoming weeks.** India showed the highest saving intent with 43% of respondents intending to save more.⁴

If you've been fortunate enough to have saved more than usual over the past year, a few simple tips can help you make the most of it.

Set up an emergency fund. An event like a pandemic is a reminder that it's wise to be prepared for the unexpected. If you don't currently have at least a few months' worth of expenses set aside, now's a great time to do so. Then, when car repairs, medical bills or other surprises pop up, you'll be prepared.⁵

Pay down debt. If you have debt, it's a great time to pay it down. Go beyond the required minimum payment. There are two methods for deciding how to prioritise debt. The first focuses on debt with the highest interest rates. The second, called the snowball method, focuses on checking off the smallest balances first, so you can see progress more quickly. Paying higher-interest-rate debts first will save money overall.⁶

Save for big expenses. Think about what's ahead and what big purchases you'd like to make. Saving for a home? Want a new car? Have a child who'll need help with college tuition? Set up separate savings accounts that are specific to each goal. Also, set up recurring transfers into them with your future income. It's an easy process that you can do at your financial institution.⁵ And when you're ready to make that big purchase, be sure to shop around if you need a loan. Get quotes from at least three lenders to make sure that you have the best rates.⁶

Focus on retirement. If you have extra money today, add it to your retirement savings account. Smart planning today may mean a much more comfortable future.

Prioritise your purchases. When the pandemic wanes, vaccinations become more widespread and it becomes safe to get back to your favourite activities, consider what's important to you. Do you want to spend your money on holidays? On restaurants? On a shopping spree? Only you can determine what's most important, but make sure that you give it some thought ahead of time.

Help others. As mentioned previously, the pandemic has led to financial hardship for a lot of people – in your community and around the world. Giving may be more important now than ever. Just make sure that you do a little homework first. During natural disasters and other events – such as the pandemic – some fake charities may try to take advantage of kind and giving individuals.⁷

As you make choices for your money, think about what's most important to you now – and for the future.

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