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EXPERT INTERVIEWS

17 Experts Share the Best Budgeting & Saving Advice for Renters in 2021

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After an unusual year, we're all looking to get off to a good start in 2021. And, one of the top priorities for many people is to get their finances under control, start budgeting properly and save money. As a result, lots of people are heading to the internet in search of the best ways to save.

But, there are many opinions and strategies out there, and not all advice is universal. So, you need to find what's best for you, and renters, especially, may be looking for particular practices to adopt in 2021. To that end, we asked 17 experts for their advice on the best financial practices for renters. Here's what they swear by:

Budget

Knowing where you stand is the first step toward improving your finances. So, to begin, make a habit out of measuring your money.

- Track your numbers

Brian Davis of Spark Rental argues: "there's a saying in the business world: That which gets measured gets done. For renters to shift their focus to saving money and building wealth, I recommend taking 15 minutes each month to track two simple numbers: savings rate and FIRE ratio. Your savings rate refers to the percentage of your income that you put toward savings, investments or extra payments toward debts. Aim to increase this number every month.

"As for the FIRE ratio, most people aren't familiar with it, but it's far simpler than it sounds. Your FIRE ratio is the percentage of your monthly living expenses that you can cover with passive income from investments. For instance, if you spend $4,000 per month and you have $1,000 in passive income each month, you have a FIRE ratio of 25%. When you reach 100%, you reach financial independence and can retire if you so choose — regardless of your age."

Similarly, be mindful of and actively track the money you charge on credit cards, as well.

“Look at your credit card charges in terms of daily cost, rather than monthly cost,” said **David Merry**, CEO of [Coin Journal](), “either by dividing last month’s total by 31 or keeping an accurate tally every day over the next month. Doing so gives you a much stronger sense of where your money is going and how much of it you’re handing over on a daily basis.

Imagine you had to pay off your balance every single day. That’s the kind of mentality you use when adapting your finances to a savings mentality. It’s not about cutting out your daily coffee or foregoing any particular expense. Rather, it’s about sidestepping the spending mentality that limits financial growth.”

- 50-30-20

Likewise, it’s important to define how much of your money goes where.

“With every dollar that goes through your hands, there are three places it needs to go, not necessarily in equal thirds,” said **Nancy Butler**, professional speaker, award-winning author and educator. “However, many people allocate their money in the wrong order. Consider this:

- First save some. This will enable you to buy the big things in life that a weekly paycheck cannot cover, such as a house. This is also important so someday you will no longer have to work. Today, most working people will only be able to retire if they save on their own. The sooner you start saving, the sooner you can have the quality of life you really want.
- Second, pay your bills. Paying your bills on time can greatly help your credit score. Paying on time and paying off your debt will be extremely helpful if an emergency or opportunity arises requiring credit.
- Third, spend what's left. If you save it all until later and don't live that long, what good is that? Determine what is reasonable to spend after number one and two have been taken care of. Then, spend some to enjoy your life today."

Specifically, for an already defined ratio, consider the 50-30-20 rule for budgeting:

"The best financial tip for the coming year is to set aside first a portion of your income for utility bills (especially for rent) and essential needs," said **Michael Hamelburger**, CEO of The Bottom Line Group. "This will help you develop the habit of saving! Most of my clients would ask me what can work best for a successful personal financial habit, and I suggest saving at least 20% of your income every month. I know it can be difficult for some, but by sticking to the 50-30-20 budgeting technique (where 50% goes to your essential expenses, such as food and rent; 30% for your discretionary buys; and 20% for savings), it can help you improve your finances in the long term."

- Line-item budget

Another suggestion is the line-item budgeting style.

"Start by listing your monthly bills on rent, gas, credit card, groceries and other necessary expenses," said **Ben Reynolds**, CEO and founder of Sure Dividend. "Therefore, if your total monthly income was $2,500 and you have $1,200 leftover, you will use $600 for savings and $600 for discretionary expenses. Or, you can adjust your savings and discretionary expenses to your personal preferences or until you maintain a substantial emergency savings fund."

Pay Yourself First

"One of the best tips is to pay yourself first," said **Molly Ford-Coates**, accredited financial counselor and CEO of Ford Financial Management. "There are several benefits to this. One is that you are putting money away either in a savings account or an investment account — or both! Having a solid savings account helps tremendously when unexpected expenses come up. Another benefit of paying yourself first is you are building a savings habit. Setting up that automatic transfer to occur — or manually doing it yourself — sets up this lifelong habit."

Build an Emergency Fund

"As a finance expert, I recommend that renters focus on building their emergency funds in 2021," said **Carol Tompkins** of Accounts Portal. "Cut down on discretionary spending and increase the amount of money you put into your emergency fund. Emergencies can come when we least expect, as we learned last year, and your number one prerogative right now is to make sure you have enough money for rent, utilities, transport and food that can last you throughout an emergency situation."

Rent Below your Means

Likewise, one of the main advantages of renting is its flexibility, which can play well into the financial practices you're looking to implement.

"With many finding themselves with a lower income than before, renters should be looking at taking advantage of their freedom and not being tied into a mortgage," said **John Davis**, education ambassador at Score Sense. "It is well worthwhile checking your lease agreement for a break clause and understanding how much notice must be given to end the lease. Search for a rental property that meets your needs, but is significantly cheaper. The money saved in rent can be paid directly into your emergency fund to provide a financial cushion."

Save Money on Utilities

Another good practice to reduce monthly costs is to cut down on your utilities.

"Most renters think they cannot save more on energy costs because many of the energy-efficiency solutions out there are permanent (such as buying an energy-saving water heater or installing an energy-saving thermostat)," said **Amanda Grossman**, certified financial education instructor. "But, there are many improvements a renter can make that they can then take with them to their next residence, meaning it's worth it to do. For example, you can buy energy-efficient lightbulbs; a thermal cover for the water heater that can transport to your next one; blackout curtains to replace the ones currently there; and even screw on a water-saving shower head that you can just take with you to your next apartment. Think in terms of adjustments that will save you energy costs now and in your next home."

Save a Little Every Day

Good habits are built up over time, so doing something every day is likely to stick.

"Save $2.75 per day," said **Cynthia Meyer**, certified financial planner. "In a year, you'll have a bit more than $1,000 in cash savings for your emergency fund, car down payment or the security deposit on your next apartment. Some ways to do this easily include:

- Use an app like Acorns or Digit to round up your purchases and add them to a savings account. Move three dollar bills from your wallet into a box in your closet every day.
- Don't spend your change. Move it into a separate coin purse every time you get it and empty that into a jar once a week.
- Give up or substitute for an inexpensive daily habit (like buying a bagel every morning). Move that cost into your savings once per week."

Maintain or Build a Good Credit History

Good credit is also crucial.

"If your credit is not great, then use your time renting to improve your credit," said **Rebecca Hunter**, CEO of The Loaded Pig. "This will prepare you to get a better loan when you decide to buy a house or a car. Focus on paying all credit accounts on time each month and avoid spending money that you don't have. Pay down your debt and improve your credit history. A year or two of being responsible with your credit while renting can put you in a much better place to get a loan down the line."

Similarly, if you're struggling with bad credit, start by looking over your credit report and making a plan to rebuild.

"The key to rebuilding your credit report is to know what is being reported," said **Jeanne Kelly**, CEO of Jeanne Kelly Credit Score. "Once you see the report, you can put a plan of action together. If you have paid accounts late in the past, start TODAY to pay on time. This way, month after month this year, you are building a better payment history. Thirty percent of your FICO score is based on balances, so put together a plan to lower your credit card debt, but keep the accounts open."

Mason Miranda, credit industry specialist, suggests that one way to work toward your credit score while renting is to consider paying rent with a credit card.

"Your landlord may allow payments with a credit card, or you may need to go through a third party," he explained. "Paying rent with a credit card can help increase your credit scores as long as you pay off your full balance each month. Though third parties — such as Plastiq or Venmo — can be useful, they can also charge fees. Be wary of any extra fees because they may not be financially worth it."

Invest Your Money

While you're renting, get in the habit of investing a bit of your savings to build equity, just like a homeowner would do through their mortgage.

"Some advantages of investing as a renter versus the forced savings into home equity of a homeowner are the different options you can have with where you are saving, and how you are investing," said **Logan Murray**, financial planner and tax preparer. "You can use extra cash flow to contribute to tax-advantaged accounts, like a retirement account or a Health Savings Account, if available.

"Additionally, you get diversity with your savings; you have a lot more flexibility. When buying a house, you are putting a lot of savings into one asset set in one location. Although the average home value increase is impressive, you may not always be buying a house that is at or above the averages. With an investment account, you can purchase stocks from various parts of the world, various types of bonds, REITs, etc. This adds diversification among your savings."

Get Renter's Insurance

"The most often overlooked financial tool — and safety net — for renters is a property insurance policy," said **Stacey Giuliani**, co-founder and chief legal officer of Florida Peninsula Ins. Co. "Better known as 'renter's insurance,' typical policies cover the customer for a wide variety of damages and negligence: pipe bursts, kitchen fires, lightning strikes, slip and falls, vandalism, and even theft. The landlord's policy does not cover the tenant's possessions, nor does it cover injuries to guests inside the unit. Working with a knowledgeable agent and company to secure this relatively inexpensive product should be step one for financial best practices."

Use Technology to Your Advantage

Technological innovations make many things more convenient, even paying your rent.

"One of the simplest, but most efficient tips I have is to set up automated payments," said **Paul Sundin**, CPA and tax strategist at Emparion. "People often overlook this because they don't see the long-term benefits. This can be applicable for all your monthly liabilities or just your rent. Missed payments will taint your relationship with your landlord, which you should avoid at all costs. Maintaining a good and friendly relationship with your landlord can help you get a better deal the next time you renew your lease, so you can haggle your rates upfront.

Perhaps more important, late fees are an added cost to your set monthly budget and they can hurt your credit score. If you set up pre-payments, you won't make the mistake of overspending beyond your actual remaining cash for spending."

Be Flexible with Your Budget

Finally, although managing your finances means being disciplined and creating a routine, it's also important to remember to be flexible.

"One important tip I would like to note for budgeting is to remember that every month is different," said **John Stevenson** of My Gre Exam Preparation. "Don't expect to have the same budget month after month and be able to stick with it. Some months have special occasions, like birthdays or holidays, and some months you'll have unavoidable extra expenses, like when it's back to school or when you need to splurge on house or car maintenance. By properly planning for this and setting away some savings for these types of months, you'll be saving yourself from a boatload of stress and worry, as well as helping yourself budget better and smarter."

We hope these tips will help you organize your budget and be in control of your finances. Are you looking for a new rental that will fit your budget and needs? Head on over to rentcafe.com and find your next home.