

'Soft saving' and how it could impact savings and retirement



Maridav/Getty Images
Published June 04, 2024



Written by Sheiresa McRae Ngo



Edited by Marc Wojno

Have you chosen to prioritize personal growth, mental wellness and enjoying life now over the traditional mindset of working hard to [save for the future](#)? If so, you might be part of the growing trend known as 'soft saving.'

This approach to personal finance, which is popular among Generation Z, is transforming how we view money, saving and retirement. [Bankrate's Financial Success Survey](#) found 56 percent of Americans say they would consider themselves financially successful if they were living comfortably. While becoming a millionaire or purchasing a luxury car used to be the ultimate goal, more people are content with simply being able to afford necessities and enjoy life.

Soft saving may offer immediate gratification and align with personal values, but it presents its own unique set of challenges. Here's a look at the soft saving trend and how it affects saving now and in the future.

What is soft saving?

Soft saving is a financial approach that focuses on enjoying the present, with less emphasis on [budgeting](#), saving and investing for the future. It's about living a lifestyle that prioritizes quality of everyday life, well-being and setting boundaries over the traditional hustle culture.

It's part of the 'soft life' trend, which chooses comfort and low stress over work culture, and embraces experiences that align with personal values rather than focusing solely on long-term financial savings.

"Soft saving is the opposite of movements like FIRE, short for Financial Independence, Retire Early," says Melissa Almuttar, director of financial services at [H&R Block](#). "You have this spectrum of saving, and soft saving is at the end."

"Some people are getting to the point where they're like, 'No, I don't want to do this,' Almuttar says of a work- and savings-focused lifestyle.

"It's the moment where you've had enough, and you want to do something different."

Soft savers may still be engaging in low-stakes savings challenges, contribute to a 401(k) up to the employer match and maintain an emergency fund, but they generally save less aggressively for the future than traditional financial advice might recommend.

Examples of soft saving

Soft saving can take many forms. Many soft savers are choosing to spend money on travel, fine dining or pursuing a hobby that brings joy and fulfillment. This could also mean choosing a job that offers a better [work-life balance](#), even if it pays less, instead of pushing for a higher-paying job that involves longer hours and higher stress.

Instead of cutting out discretionary expenses completely, soft savers may choose to spend on experiences that enrich their life and align with their values. Some might still contribute to their 401(k) up to the employer match and even maintain an emergency fund, but generally, they are forgoing the opportunity to save or invest aggressively for long-term goals.

How soft savings can affect your savings and retirement

While [soft saving](#) allows for immediate fulfillment and gratification, it can impact your ability to [save for long-term goals](#), such as retirement or buying a home. Emphasizing present comfort and wellness over future financial security can lead to reduced savings, potentially slowing the growth of your retirement nest egg over time.

“Some might argue that soft saving allows you to enjoy, live and spend in the moment, rather than save for an uncertain future. However, I worry that soft saving ignores emergencies and the ability to cover unforeseen expenses,” says Tim Pilczak, senior advisor at [O'Brien Wealth Partners](#).

“The idea of spending money in lieu of having an adequate rainy-day fund can force people into debt and unwanted stressful situations like seeking additional employment,” adds Pilczak.

When less money is saved and invested, the benefits of compounding interest are lost, which means you may need to save more money later on to meet the same financial goals. For example, if you begin saving for retirement at 25, you'll need to set aside much less each month to reach a certain retirement goal than if you begin saving at 35, thanks to the power of compound interest.

What's driving the soft saving trend?

The [soft saving trend](#) is largely driven by younger generations prioritizing quality of life over wealth accumulation. Generation Z, in particular, is facing economic challenges such as a tough job market, inflation and student loan debt, leading them to focus on immediate fulfillment and experiences rather than long-term financial security.

Many employers are responding to this shift by offering flexible work arrangements and opportunities for skill development, further encouraging the trend toward soft saving.

How to save for a healthy financial future

While soft saving offers the appeal of immediate gratification and a stress-free approach to finances, it's important to balance this lifestyle with responsible financial habits. Here are strategies that can help you strike the right balance:

Establish a spending plan

A [spending plan](#) helps you manage your income and set priorities for your money. It includes all your income sources and expenses and allows you to allocate funds for savings and discretionary spending.

“Do everything in moderation,” says Pilczak. “A good financial plan considers short-term emergency savings, supporting your cost of living, enjoying life and saving for the future.”

Write down financial goals

Whether it's saving for a vacation, buying a home, or retiring at a certain age, having clear financial goals can motivate you to save and make smart financial decisions.

“You really have to think about your goals and ask yourself if you want to spend more on things now or if you want to work less later,” says Almuttar. “Figure out how you want to live your life and the right balance for your situation.”

Automate your savings

Setting up [automatic transfers](#) to your savings account can ensure that you regularly contribute to your savings. Over time, even small contributions can add up to significant savings.

Invest for the future

Consider investing a portion of your income in retirement accounts like a 401(k) or IRA. These accounts offer tax advantages that can help your savings grow quickly.

Stay informed

Building [financial literacy](#) can help you make informed decisions and adjust your financial plan as needed. The right steps will help you strike a balance between enjoying the present and preparing for the future. With careful planning and responsible financial habits, you can enjoy life today while securing your financial future.

Bottom Line

The rise of soft saving has reshaped how people approach money. While this trend offers immediate gratification, it can negatively impact your ability to save for the future. It's important to find a balance between enjoying life now and securing your financial future through responsible money management.



Written by

Sheiresa McRae Ngo

Writer, Consumer Banking/Personal Finance