

Be A Saver

Consumer Alert!

1-888-995-7856 **ALLIANCE**
Credit Counseling

By Edward Tonini, Director of Education.

“Make your money work hard for you, and you’ll not have to work so hard for it.”

-Dr. Napoleon Hill, author of *Think And Grow Rich*

In 2005, for the first time since the Great Depression, Americans as a whole spent more than they earned – a negative savings rate of 0.5 percent (Source: U.S. Commerce Department Bureau of Economic Analysis). If you are one of the many people who find themselves living paycheck to paycheck and barely making ends meet, then read on to learn how you can take steps to regain control of your financial future.



Savings?

Savings are what you have left over after you pay for your expenses. Money left over? If that sounds like a foreign concept, then this publication will give you a passport to a new land of financial opportunities.

Top 5 Reasons For Not Saving

Of course there may be a few people who think they don’t need to save. Their most common reasons are:

- I’m a gambler so I’m counting on never having a financial crisis, such as an unexpected repair or medical bill.
- I think down payments are for wimps.
- Life would be boring if I had enough to cover seasonal expenses, such as a high heating bill or annual property taxes.
- My kids might not want to go to college.
- I love my job and I’ll never ever retire.

Saving Steps

Even if you think you don’t have any money to save, if you have an income, then there are steps you can take to get you singing a new tune.

1. Be Proactive

Set A Goal. The first step in becoming a wealth builder is to set your first goal. If this is the first time you’re doing this, then start small and choose a short-term goal – one that you expect to be able to reach within six months to a year. An old proverb says an unwritten goal is only a dream, so record your goal and keep it where you will be reminded of it daily (perhaps a note on the fridge or bathroom mirror). Well-written goals are specific, measurable and realistic. An example might be “to have \$500 in a savings account by December 1.”

2. Be Creative

Make A Plan. In order to reach your goal, you’ll need a plan of action.

Once again, you may need to start small but you should still write down your plan. Begin by breaking down your goal into daily or weekly steps. You might write down “save \$25 from each paycheck for the next 9 months.” But how will you carry out your plan if you can’t seem to hold on to \$25 from your paycheck? You need to a tool to help you make that happen.

Find Money To Start. You already know the obvious and most basic financial principle: you must spend less than you earn. Many people, however, overlook the key to this principle: you must see what money comes in and where it goes. The financial tool which lets you see this is called a spending plan or budget.

For step-by-step assistance in creating one, read the publication *The Spending Plan*. Once you see, in black and white, what is coming

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in and where it is going, you will be able to prioritize your spending and determine if your goal is realistic. At this point, many people also become determined to bring home more money and cut their costs. For dozens of ways to lower your expenses and raise your income, read the publication *More With Less*.

3. Be Prepared

Create An Emergency Fund. An emergency fund is money that you save and can quickly get to in the event of a financial crisis. An emergency fund is the second most critical financial principle, because no one knows the future. Without an emergency fund, you would be desperate if something were to happen to your job, health or family. This desperation might lead you to borrow/charge without being able to repay, causing your debt to snowball and moving your situation from bad to worse. How much should you save for the unexpected? At the very least \$1000, but ideally the equivalent of three to six months living expenses.

4. Be Determined

Pay Down Debt. High interest debt, with no potential for equity, is your worst financial enemy. Credit cards often carry interest rates of 20% to 30% and then add monthly fees of \$30 to \$40 for each late or overlimit. The resulting cost is so high, many people get swiftly overwhelmed. Paying off this debt should be your top priority after saving a minimal emergency fund. For assistance finding and evaluating appropriate solutions for debt, contact an accredited non-profit credit counseling agency.

5. Be Stable

No Place Like Home. The average homeowner is 34 times more wealthy than the average renter.

A mortgage is an example of acceptable debt, because of the great benefits that come with it. Buying a home allows you to build equity, provides tax advantages, and ends up costing less than renting. For most middle-income families, their home will be their greatest and most secure financial asset. Buying a home and paying off the mortgage, before you retire, should be your next goal.

6. Be Smart

Pay Yourself First - Automatically. You may have heard “pay yourself first”, meaning at least 10% of your income should be going into savings. Make this principle more effective by adding to it the concept “out of sight, out of mind.” Contact your bank or credit union to see about having part of your paycheck automatically deposited into a savings account.

Save At Work. If your employer offers a retirement plan (401k, 403b, etc.), participate in it to the maximum. Your money is set up to grow tax-deferred and many employers match part of your contributions, which equals free money for you.

Take Advantage Of Compound Interest. If your workplace has no retirement plan, you can open one yourself and reap the benefits of compounding interest. This ability to earn interest on your interest (as well as on the principal) is the secret to maximizing your nest egg.

Save For Long-Term Goals (such as education and retirement) Through Investing. Today, it is not hard to find certificates of deposits (CDs), US savings bonds, and even money market accounts yielding better than 4% interest. You can double that rate if you look into a balanced mutual fund account.

Get Help. Free financial education is available at the Alliance website. Your bank or credit union may have financial education to offer you. Check their website and inquire in person.

America Saves.

A great source for help on being a saver may be closer than you know. America Saves is “a nationwide campaign in which a broad coalition of nonprofit, corporate, and government groups helps individuals and families save and build wealth. Through information, advice, and encouragement, we assist those who wish to pay down debt, build an emergency fund, save for a home, save for an education, or save for retirement.”

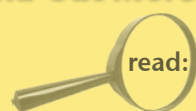
The mission of America Saves is to convince all Americans that they can build wealth and to assist them in doing so. America Saves wants everyone to know that you don’t have to be rich to build wealth. No matter what your income level, you can learn to be a “saver” not a “spender.” America Saves, with their local coalitions, can help you set financial goals, track your spending, and take control of your financial future.

The benefits of being a member include:

- No-fee saving accounts from local financial institutions
- A free informational and motivational workshop to show how anyone can save and build wealth
- Free seminars by financial experts on how to budget, pay off debts, spend less, get good deals, qualify for a home mortgage, set up a retirement account, or select a savings/investment product.
- Free one-on-one planning consultations with a wealth coach or financial planner.

Membership is absolutely free. To find out more or to enroll, visit www.knowdebt.org/saves.php or call 1-888-995-7856 x356.

To Find Out More



- *The Spending Plan* (Alliance): www.knowdebt.org/education.php.
- *More With Less* (Alliance): www.knowdebt.org/education.php.
- *Personal Finance For Dummies* (E. Tyson, Wiley Publishing Inc. 2003).
- *Why Homeowners Get Rich And Renters Stay Poor* (David Bach) - <http://finance.yahoo.com/columnist/article/millionaire/2585>.