

Savings is Security

Why Save?

Financial Security--it's never too late or too early to begin saving for your future! But it does take commitment.

It's important to save for your future and for emergencies, such as loss of job or an unexpected illness. Savings allows you to obtain the items you need and want without sacrificing or borrowing.

Maintaining a savings account is also important in obtaining credit. With an accurate goal setting and a specific action plan, you are on your way to financial security for the future.

Set Your Goals

Discuss with your family the priorities that need to be established. Both short-term and long-term goals are important to strive for.

Long Term Goal Examples:

College tuition, new vehicle, new home, or retirement

Short Term Goal Examples:

Household appliance, clothing, or furniture

Develop an Emergency Fund

Establish an emergency fund first by keeping reserves equal to 3 months or more of your monthly expenses. Take no chances with this money. In the event of an emergency, you'll have money set aside to help you get through the first few months.

A recent study showed that fifty percent of the people between the ages of 35 and 49 could not come up with \$3,000 in three days without borrowing.

Develop a Savings Habit

Design a savings strategy that will enable you to save beyond your emergency fund. For example:

Save \$50 a month by using direct payroll deposits for automatic savings. What you don't see, you won't miss.

Pay yourself first. Take 5 to 10 percent of your check, treat it like another bill, and bank it.

Enroll in your company's tax-deferred, 401(k)-type plan. Take advantage of your employer's retirement programs with stock options, tax-deferred growth, or automatic bond purchases. Seek advice from a Certified Financial Planner (CFP) about what investments or saving vehicles would be best for your situation to meet your savings goals.

Unless there is an extreme emergency, try not to touch your savings. Try to live within your means.

Savings Table

By developing a savings habit, you can watch your savings grow to financial security. Below is a chart tabulating just how quickly your money can add up for you!

Investment Opportunities

Whatever savings vehicle you choose, there is no reason to limit yourself to just one. The following are several investment opportunities that could help you get well on your way.

Savings Accounts

These accounts allow you the most flexibility. You may pay into them or withdraw without interest rate which varies according to your financial institution. Emergency funds should be kept in savings accounts.

Money Market Mutual Funds

In these accounts, shares are purchased directly from the company by an agent or investment company. The cash of the mutual investors is pooled together and diversified through an investment portfolio earning a higher interest rate. This is good for long-and short-term goals.

Individual Retirement Accounts

IRAs allow you to set aside a percentage of your salary to make tax-deductible payments to your own financial institution. You do not pay taxes on this money until you withdraw it. This type of savings is only good for long-term goals.

Certificates Of Deposit

Certificates are fixed time deposits that are payable when your money matures at the end of a specified term ranging from one month to 10 years. Generally, the higher the term, the higher the interest rate. CDs are beneficial for short-and -long-term goals because you pick the length of time.

Where Should I Put My Savings?

Banks, savings & loans, credit unions, and investment companies all offer savings options. Shop around for interest rates, reliability, methods of computing interest, and insured funds for safety.

Savings Pitfalls

Don't attempt to save by having extra taxes held from your paycheck for a larger refund at tax time. This costs you because the government pays no interest on your money and you don't have access to it when you may need it.

Don't double up on house or insurance payments unless you have savings equal to at least three months of expenses.

Don't use U.S. Savings Bonds for short-term savings. Bonds do not pay the face value full amount until the time expires.