



Save A Little, Gain A Lot

Do you have a savings account? If so, are you making regular deposits? If not, why? If you are like many others who have trouble saving money simply because you prefer to spend it, you can use the ideas in this newsletter to help you win at the savings game. Most Americans don't save as much as they should, but the reason has less to do with dollars and cents or macroeconomics than with how they feel about their cash. To many people, saving money is a punishment while spending it is a reward. It is important that you recognize where you stand on this issue.

Financial planners sometimes fail to connect with clients because they ignore this psychological aspect of saving. If you have had trouble saving because you simply prefer to spend your money, you will want to develop some techniques that will make saving money something you can actu-

ally come out winning on. Experts might scoff at this strategy because it is not one designed to get you the highest return. But if you're saving nothing, and you just can't seem to get started, what do you have to lose? Right now is the best time to get started on a successful, savings-driven financial strategy.

At the risk of sounding too flippant, the purpose of a savings account is to save money. It's not rocket science, but the trouble is, for too many Americans, it's one of the most difficult things to do. We seem to spend virtually everything we earn and have nothing to fall back on when the inevitable emergency hits, other than the unused balance on our credit card. So let's face it. We're all much better off if we establish and follow a budget, live within our means, distinguish between needs and wants, and regularly and consistently add

Financial Confidence

Do you have a savings account? Believing that you can control your financial life is an important step in the process of developing financial confidence. The reverse (not managing your money) inspires a critical lack of financial confidence. Other family members will follow your lead. You develop an order and procedure for your financial activities, and they will do the same. For each member of the family, confidence comes from knowing that he is doing the right thing and doing it well. Gaining financial confidence is the same. Adopt the right principles, practice them regularly, and the results will not only strengthen your confidence, it will allow you to dare take other confidence-building steps such as budgeting, financial planning and spending reduction. Many people are afraid to take control of their financial lives because no one has showed them how. You won't have to wait; you are receiving valuable information that will help you gain confidence.

You, Too, Can Save! ■

money to our savings account and watch it grow. For most people there are generally two types of savings: a "rainy day fund" and retirement fund. The rainy day or emergency fund should be at least five to six months' income, to be used just in case you lose your job or get sick or injured. ■

Twelve Ideas for Winning at the Savings Game

1. Open a savings account at a small bank where you don't currently have an ATM card. You should be able to find a small bank even in large metropolitan areas. Consider an Internet-based bank that offers higher savings rates. You can obtain this information on MoneyCentral's Bank Rates or online at bankrate.com.

2. Write a regular check to your bank account, put it in your deposit envelope, and hold it for a week. This will give you an artificial cushion in your bank account and the time to get accustomed to doing without that money. After a month, raise the amount of your regular savings check.

3. Start small. Many experts suggest you set aside 10% of your income as permanent savings. It's a good goal so don't give up just because you can't at this time. Establishing a savings habit and saving consistently are better than putting aside a big sum of money just once. Start with something you know you can live with, say \$25. Promise yourself that you will save that much every pay period. The very fact that you are willing to save money may be much more important than how much you actually save.

4. Every day take a \$1 or \$5 bill out of your wallet and put it aside in a bank deposit envelope. Once a week, drop off the envelope in the bank overnight deposit. Small change, right? If your average monthly savings is about \$100 per month, and you make this deposit religiously in a money market account paying 5.5% interest for 20 years, you will have saved more than \$36,000. Yes, small change does add up. Consistency is as important as the amount that you save. This same procedure will work for the pocket

change you put on your dresser each evening. Put it in a jar or mug each night and at the end of each month take the money and deposit it into your savings account.

5. Monitor your ATM withdrawals. Decide how much cash you will withdraw each week and make it last. Don't draw out more than you need and try to decrease the amount over time if possible. If you have money left at the end of the week, put it into your savings deposit envelope. If you don't have any money left, be sure not to look for additional reasons to spend money so that another visit to the ATM is necessary.

6. Envision your goal. Now that you're under way, focus on what you are saving for. Remember that rainy-day savings is in a different category than your permanent savings. Dieters are often advised to post a picture of their new trim selves on the refrigerator. Savers, too, should focus on their goals whether it might be a vacation, new home, or car. You spend some money now and some later. The money that you spend later is called savings. Picture what you will do with the money once it has been saved. Establish the amount and the number of months that it will take to achieve your goal and start saving the amount per month that it will take to complete that "picture."

7. Try to decrease the number of your exemptions on your W-4 withholding form at work. For example, if you claim one, go to zero. The government will take a few extra dollars out of each paycheck. This really goes against most financial planning advice because you're actually giving the government an interest-free loan, but if you would otherwise frit-

ter the money away, you're better off locking it up with the government. When you receive your tax refund, deposit it directly into your savings account. Money left lying around is usually spent. If you can't refrain from spending money that's on hand, then get a withholding form at work, complete it, and process it with your HR Department.

8. By allowing FFEF to manage your debt management program, you are using the power of rollop. Upon receipt of your monthly payment, FFEF sends the negotiated payment to each creditor. As the smallest creditor is paid in full, its monthly disbursement is added to the money going to the creditor who has the next smallest balance. This practice continues until all accounts are paid off. Once all of your accounts are paid in full, begin depositing the money that has been freed up into your savings account.

9. If you have had the same term life insurance policy for five years or more, you can probably cut your premiums dramatically by changing policies. Here's why: Term is straight insurance protection. When you buy a policy, you get a medical exam and the insurer knows you're healthy. But each year the premium increases as you grow older and the time stretches out since your last health exam. If you apply anew and get a fresh exam, the insurer sees you as a better risk. The other advantage to seeking a new policy is that the Internet has made the purchasing of term insurance far more competitive. If you are able to cut your monthly insurance costs, convert them to savings.

10. Pay a little bit extra each month on your mortgage by "rounding up." By rounding your payment amount up to the next \$100, you will add equity to your home and give you extra flexibility when you decide to move or refinance. Depending on your loan's interest rate, if you prepay an additional \$100 a month on a \$150,000 loan, you could save up to \$72,952

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Cooperative Savings Groups

In 2006, Dr. Muhammed Yunus received the Nobel Peace Prize for his work in microcredit finances. An innovative concept for helping the very poor improve their financial health, microcredit organizations provide small loans, as small as \$20, to people—mostly women—who then use the loans to develop a way of supporting themselves and their families. The loans are paid back as the borrowers are able. It's a concept that has seen great success and many people in third-world countries have been given their first chance ever to improve their financial stability.

The first step to getting the things you want out of life is this: decide what you want.

— Ben Stein

Since many people in the US do not have microcredit loans available to them, a new idea has developed in recent years in the form of cooperative savings plans. The group shares the risks, and they can rely on each other for help when an emergency arises. Some groups purchase property, some commodities, and some purchase a business and share the operating responsibilities.

Profits from the venture are distributed based on the contribution each member made. When considering a savings group, each member of the group should express their goals and expectations clearly and specifically. "To save for retirement" is not a clearly defined goal. How much and by when should be part of the definition.

Savings groups are usually more successful when the members of the group already know and trust each other. Unlike the money group, the more similar group members' interests, goals, backgrounds, and incomes are in a cooperative savings group, the less likely they are to quarrel and the more likely they

are to make decisions that benefit everyone. Many cases involve paying money into a cooperative to purchase property, etc. Members of a successful savings group generally have the following characteristics:

- A common bond
- Clear objectives
- Agreement to follow the established rules
- Honest and willing to work hard to achieve the objectives
- Participate in regular meetings and decision-making
- Demonstrate necessary leadership or team-member qualities
- Keep accurate records of their activities
- Maintain a Money Market account
- Invest in stocks, bonds, mutual funds, etc.

If the people you are considering including in your savings group don't share these qualities, you may want to reconsider whom you will invite. Notice that a large income is not a re-

Budgeting Tip from an FFEF Counselor

A few years ago, I was too impatient to wait for a bus and took a cab 2 or 3 times a week. After having some financial struggles, I decided to make a few changes to my lifestyle. Every time I had the urge to splurge and resisted, I went home and put the money that I would have otherwise spent in a shoebox i.e. if I wanted to take a cab but took a bus instead, I would save \$10. At the end of 2 months, I was astonished to see that I had saved \$340. ■

quirement. The most successful savings groups have eight to fifteen members. Decide how often the group will meet, how much each member can contribute, what the rules and regulations will be, and who the leaders will be and for how long. When you first begin your group, keep it simple. If you are successful, and bigger goals are established, be sure to get good advice from an accountant or financial advisor so you can make the most of your investment. ■

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Don't Spend Mindset

Having the proper attitude about spending is critical to being financially independent. Saving money is a lot more difficult than spending it, but saving is also much more productive and will better serve your family over time. Learning to say no to spending requires sound personal commitment and a realistic view of where you want your financial life to be both in the present as well as the future.

However, it all starts by making up your mind that saving is better than spending. If you have future dreams and you can't afford them, you will have to change your spending habits.

In reality, saving is the opposite of spending. This newsletter is aimed not only at saving money, but also at having you consider that if you want to obtain your future dreams and have what you want, you will have to pay the price. The price is - to save money and not spend it.

The message is clear, don't buy it if you don't pay cash! This may be difficult at first, but it can become a habit – a habit that will pay huge dividends. Paying cash doesn't mean that you stop buying the things you need (or want), but it means that you save and buy those things when you can pay for them with cash. It is recommended that while you are waiting

to save enough cash to make your purchase, you place the money in a secure savings account. This will facilitate you to get your savings habit started and will help you avoid using the money on something less important to your long-term spending plans and objectives. Everything you do which prevents spending money will help you attain your financial goals. ■

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Twelve Ideas for Winning *(Continued from page 2)*

in interest and shave 7-1/2 years off the loan.

11. If you really want to make a large purchase that will require monthly payments, save those payments for three to six months prior to the purchase. This will help you determine whether or not you can afford the payments and, in the process, create a sizeable down payment for your upcoming purchase.

12. Write your check out at the grocery store for the exact amount of purchase. This will stop you from spending any money that you are not later able to account for, and help prevent any evaporation of your precious funds. Once you have become

a habitual saver, it will be time to think about how to earn a better return.

Saving can be just as habit forming as spending. But, you must start somewhere. Follow any of the previous steps and take your proceeds to your savings account. If you do not have a savings account, open one. Urge your family to do the same thing. Make a family excursion out of going to the bank with your money. Let each one have his or her own savings account. It will be a momentous family experience and well worth your while. Next, you'll be ready to start investing! We are indebted to Mary Rowland and MSN MoneyCentral for excerpts in this newsletter. ■



Business Hours!

Monday-Friday: 7:00 a.m.-7:00 p.m.
Saturday: 8:00 a.m.-12:00 noon

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