

ACTIVITY 2: SAVINGS TIPS

GENERAL TIPS

- Consider needs versus wants. Think about the items you purchase on a regular basis. These add up. Where can you save?
 - Do you eat out a lot?
 - Can you cut back on daily expenses, such as coffee, candy, or soda?
- If you receive cash as a gift, save at least part of it.

WHEN YOU ARE ON YOUR OWN

- Pay your bills on time. This saves the added expense of:
 - Late fees
 - Extra finance charges
 - Disconnection fees for utilities such as phone or electricity and fees to reestablish connection if your service is disconnected
 - The cost of eviction or repossession
 - Calls from bill collectors and collection letters
- Use direct deposit or automatic transfer to savings.
 - When you get paid, put a portion in savings through direct deposit or automatic transfer.
 - If you have a checking account, you may sign up to have money moved into your savings account every month. What you do not see, you do not miss!
 - Ask your employer if you can purchase U.S. Savings Bonds through payroll deduction; otherwise, you can at www.treasurydirect.gov.
- Consider opening a checking account at a bank or credit union instead of using check-cashing stores. If you use check-cashing stores regularly, you might pay \$3 to \$5 for each check you cash. This can easily add up to several hundred dollars in fees every year. If you would like more information about checking accounts, review the “Check It Out” module.
- If you get a raise or bonus from your employer, save that extra money.

(continued)

- Avoid debt that does not help build long-term financial security. For example, avoid borrowing money for things that do not provide financial benefits or that do not last as long as the loan. Examples include: a vacation, clothing, and dinners out in restaurants. Examples of debt that helps build long-term financial security include:
 - Paying for college education
 - Buying or remodeling a house
 - Buying a car to get to work
- If you have paid off a loan, keep making the monthly payments to yourself. You can save or invest the money for your future goals.
- Save your change at the end of the day. Take that change and deposit it into the bank every week or month.
- When you get a tax refund, save it rather than spend it.
- If your work offers a retirement plan, such as a 401(k) or 403(b) plan that deducts money from your paycheck, join it! Most employers will match up to \$.50 on each dollar you contribute. The matched amount is free money! Even if retirement is 45 years away, this is an excellent way to save. By starting young, you will be able to save less money than if you waited until you were older to start save, thanks to the power of compound interest that allows money saved early to grow significantly over a longer period of time.

INVESTING

- If you decide to make investments, do your homework. Know what you are investing in. Get professional advice if you need it. You should have enough money in savings to pay for two to six months of expenses in case of emergency. Make sure you have an emergency savings account before considering investing in non-deposit products.
- If you own stocks, reinvest the dividends to purchase more stocks. Some companies offer an easy way to do this called a **Dividend Reinvestment Program (DRIP)**. This process increases your investment faster, similar to compounding.
- If you are interested in learning about investing, consider joining an investment club. Investment clubs are groups of people who work together to understand the process and value of investing even small amounts of money (as little as \$5 to \$10).