DIVISION OF AGRICULTURE
RESEARCH & EXTENSION
University of Arkansas System

United States Department of Agriculture, University of Arkansas, and County Governments Cooperating

Saver's Checklist Activity Results

Count the total number of items you checked.

- 13-15 checks: You are probably a highly successful saver.
- 10-12 checks: You are probably a good saver.
- 8-9 checks: You are making saving progress.
- 6-7 checks: You have the potential to be a good saver.
- 0-5 checks: You need to think more about how to save successfully.

Here's why each accomplishment is important.

Have a financial plan with savings and debt management goals.

Research shows that those who have a financial plan save twice as much as those who don't.

Don't rely on financial windfalls from gambling or winning the lottery.

The odds of winning from gambling or playing the lottery are stacked against you, and if you become addicted to either, you risk financial disaster.

No payday loan, car title loan or other high-cost debt.

These high-cost loans typically have interest rates above 100 percent and often above 300 percent. If you roll them over from month to month, you could end up paying more in interest than the amount borrowed.

No credit card debt that is increasing.

Credit card debt is relatively high-cost debt, with interest rates usually between 15 and 30 percent. And if this debt is accumulating, you may be living beyond your means.

In addition, no credit card debt or unpaid monthly balances.

The best investment most people with large credit card debts can make is to pay off these debts.

Affordable (or no) car and student loan debt payments.

Spending too much on car and or student loan payments is an important reason people don't save effectively.

Save a portion of your income.

Saving a portion of your income, without accumulating credit card or high-cost debts, probably means that you are living within your means, which is essential to good financial health.

In addition, save at least 5 percent of your income.

Those who save just 5 percent of an income averaging $50,000 during working years are likely to end up, when they retire, with several hundred thousand dollars of savings. Over long periods of time, the "miracle of interest compounding" can add substantial amounts to your savings deposits.

Have an emergency fund to cover $500 of unexpected expenses.

Some research shows that low-income families with at least $500 in an emergency fund are better off financially than moderate-income families with less than this amount.

In addition, have enough in an emergency fund to cover three months of regular expenditures.

An emergency fund with three months of usual expenditures represents a good insurance policy against being laid off or hit with a huge unexpected expense.

At work, contribute regularly to a retirement account.

The easiest way for many to save is to allow one's employer to contribute some of their paycheck to a 401(k) or other retirement program. If the employer matches any portion of these contributions, the saver is effectively receiving free money.

Outside work, contribute regularly to an account for retirement.

Workplace retirement contributions are often not sufficient to ensure an adequate income in retirement. Many employees don't have access to a workplace retirement program.

Make deposits to savings automatic.

These contributions will be more regular if they are automatic. Ask your credit union or bank to transfer funds each month from a checking account to a savings or investment account.

Own home with affordable (or no) mortgage payments.

Home equity represents the largest source of wealth for low- and middle-income families.

Own home and expect to pay off mortgage before retirement.

Paying off your mortgage before retirement not only reduces your living expenses but also gives you a large financial asset you can sell or borrow against.

Reference

America Saves at http://www.americasaves.org/for-savers/savings-tools-and-resources/saver-checklist-tool#sthash.R4bkXrPE.dpuf

Prepared by Laura Connerly, Ph.D., Assistant Professor - Family and Consumer Economics, University of Arkansas Division of Agriculture (lconnerly@uaex.edu).