DIVISION OF AGRICULTURE
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Volunteer Leader Training Guide

Money Saving Strategies

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Introduction

Most consumers know they should save more and spend less, but money management can be confusing. Learn how, when and where to save. Save money and increase financial stability.

Target Audience

- EHC leaders and members
- Adult audiences
- Young adult audiences

Objectives

Participants will gain knowledge about recommended personal financial management practices.

Handouts

- Build Your Savings – FSFCS43
- Savers Checklist Activity (optional)
- Savers Checklist Results (optional)
- Evaluation Form

Suggestions for Teaching

- Review the lesson guide and handouts.
- Make copies of handouts.

Additional Resources

- Money Talks: Pay Yourself First – FCS720
- Money Talks: Ways to Save – FCS718
- www.americasaves.org

Lesson

You may have heard the expression "Money doesn't grow on trees." It may not grow on trees but it can grow. You can grow your money with the interest you earn on savings and investments. In addition to helping your money grow, saving money provides a safety net for life's uncertainties and increases feelings of security and peace of mind. This lesson will cover budgeting for saving, setting savings goals and where to save.

Optional Opening Activity

(Give each participant a copy of the **Saver's Checklist**. Have them follow the directions to place a check next to each item that is true for them. Allow time for each participant to complete the activity. Do not distribute **Saver's Checklist Activity Results** until participants complete the activity.)

Budget for Saving

Examine Expenses

Include "saving" in your budget. Make your "savings bill" a part of your spending plan, just like rent, mortgage or utilities. When you pay your other bills, pay your savings bill by depositing the money in your savings account.

Examine your spending plan. Look for ways to cut spending to save more. Here are some ideas.

- When you pay off an installment loan, set aside the amount you were paying and deposit it into your savings account each month.
- Break a habit. Every time you don't have a doughnut at coffee break, don't spend money in the vending machine at work or take your lunch instead of eating out, save the money you didn't spend.
- Use a crash budget. A crash budget works just like a crash diet – try to cut out all unnecessary spending and save as much as possible. Have a "nothing week." Once in a while, have a week when you try not to spend any extra money – don't go to the movies, don't go out to eat, don't shop for new clothes. Save the money you would have spent.

Pay Yourself First

Pay yourself first. Designate a specific dollar amount to deposit into your savings account each week. This could be a certain percentage of your paycheck or the value of the first hour you work each day. Choose something that works for your spending plan and stick with it each pay period.

Use direct deposit with your paycheck if possible. Have your employer deposit part of your paycheck directly into your bank or credit union savings account. If you never see it, you're less likely to be tempted to spend it.

Save "bonus" income. Try to save tax refunds, overtime pay and gift money. You can have all or part of your tax refund deposited directly into your savings account.

Set Savings Goals

Take Small Steps. Most financial experts feel that we need to save at least 5 percent, preferably 10 percent, of our income and place it into an interest-bearing savings account. However, don't give up if you're not able to put aside 5 or 10 percent. Start where you are and you can increase later. Establishing a saving habit and saving consistently will eventually add up; even as little as $5 per pay period will accumulate. Once saving becomes a habit, set a savings goal to build your emergency fund.

Build an Emergency Fund. Life happens – cars break down, kids get sick, people lose jobs. Nobody wants to feel the stress of knowing that they are only a paycheck or two away from financial disaster. One of the best ways to take charge of your finances in today's uncertain economy is to accumulate a healthy emergency savings account.

If you are just starting to build your emergency fund, set a goal in the range of $500 to $1,000. If you've been saving for a while, increase your emergency fund to a larger amount. Personal finance experts recommend emergency savings funds with enough money to cover three to six months of expenses.

The idea is that if you lose your job or have a health crisis, you would have enough money to pay your mortgage, utilities, groceries, car payment, etc. This gives you time to get back on your feet or make other arrangements. The emergency fund can also be used to cover unexpected expenses.

Set SMART Goals – Specific, Measurable, Attainable, Realistic and Time-Bound. A goal is a destination that you reach by taking certain steps. It gives direction to your plan of action. To be really effective, goals should always be in writing and should be meaningful to you. It's helpful to define goals in a "SMART" way. Think of it like this:

- **Specific** – You are more likely to save if you name a specific goal to save toward.
- **Measurable** – Designate a specific amount so that you will know when your goal has been attained.
- **Attainable** – When you know what your monthly expenses are and how much you can realistically save, then set an amount to save each week, month or per pay period.
- **Realistic** – Set your goal for something that is within your ability to pay.
- **Time-Bound** – Determine a specific date for your goal.

Goals may be **short-term** – something coming up in the next few weeks or months, **intermediate-term** – something that you will purchase in the next few years or **long-term** – something that's five or more years in the future.

Where to Save

Where is the best place to keep the money you save? It depends on your savings goal. There are different strategies for emergency, retirement and investment funds.

Step 1 – Emergency Fund and Short-Term Goals

A savings account is a good place to start your emergency savings. Your money will be safe and you'll earn interest. You'll be less tempted to spend your savings if it's not in your checking account or in cash.

When your account grows larger, consider moving part of your savings into **Certificates of Deposit (CDs)**. CDs earn higher interest rates than regular savings accounts, and you agree to leave the money in for a specific length of time. Shorter-term CDs – one year or less – are best for emergency savings. The minimum amount for a CD is usually $500 or $1,000. If you must, you can redeem the CD early, but you'll lose part of the interest. Make sure the bank you use is FDIC insured.

Step 2 – Save for Retirement

After you build a healthy emergency savings account, it's time to start saving for retirement. Does your employer provide some type of retirement savings program? If so, you should participate. Some employers match the amount the employee puts in the retirement fund. It's usually up to a certain percentage of the employee's paycheck. Aim to put in the maximum amount that your employer will match.

Another great retirement savings option is the **Individual Retirement Account** or **IRA**. If you've maxed out your contributions to your employer-provided retirement account, this may be another option. And, putting money into an IRA may provide some additional tax benefits.

Step 3 – Invest for the Future

Consumers often want to know about investing in stocks or bonds. You're ready to start investing when you've completed four financial management tasks. First, you should be living within your income. The interest you pay on credit cards is typically more than the amount you'll earn on most investments, so pay off your credit cards ASAP and then start to put that money towards investments. Second, you should have enough insurance to protect yourself, your family and your assets from financial crisis. Third, you should have an emergency savings fund large enough to cover at least two months of expenses. Fourth, you should save for retirement in your employer-provided retirement program and/or an IRA.

When these four items are established, it's time to make your money grow. Your options for investing are nearly endless. Be sure to thoroughly investigate a company or broker before handing over your money. Learn more about your investment options with the free online course, **Investing for Your Future**, available at eXtension.org.

Conclusion

Money saving strategies can help you build a strong financial foundation. Use these tips to budget for saving, set savings goals and know where to save.

Learn more about personal finance at www.uaex.edu. The Cooperative Extension Service has the latest research-based recommendations to help you save money, decrease debt, build wealth and improve financial stability.

Evaluation

Please complete your evaluation.