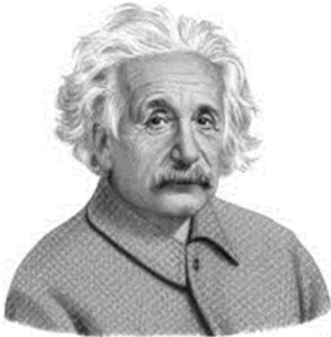


Savings

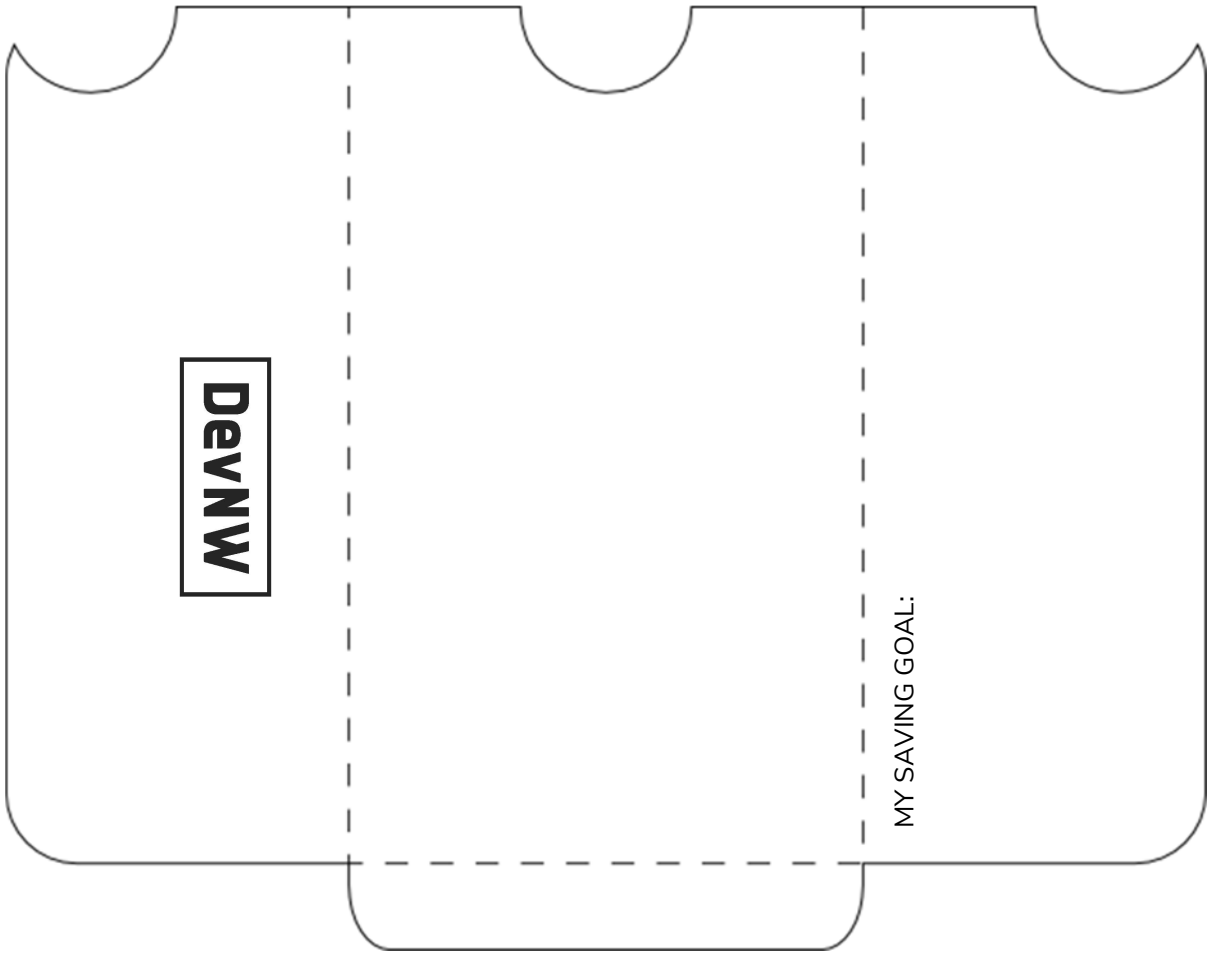
FINANCIAL FOUNDATIONS



“ _____ is the eighth wonder of the world. He who understands it, earns it...he who doesn't.... pays it.”

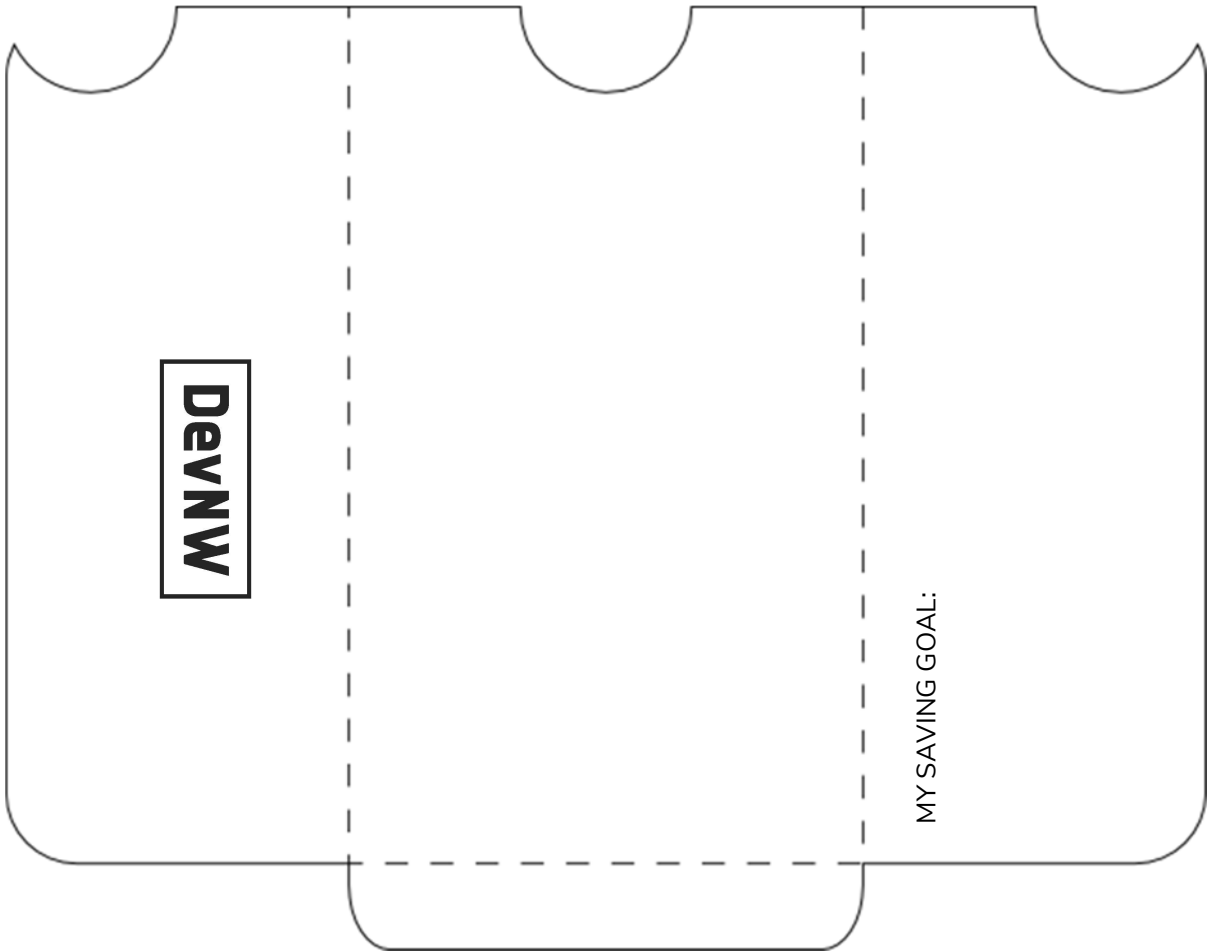
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DEVNW

MY SAVING GOAL:



DEVNW

MY SAVING GOAL:

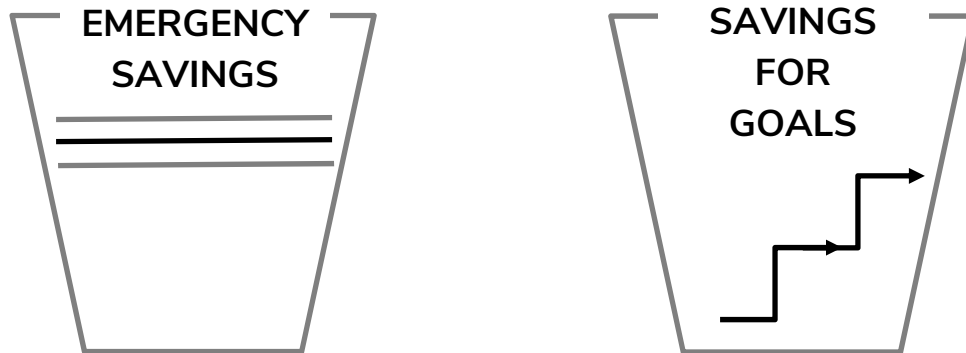
Saving Strategies

Savings is the art of **finding** and **re-directing** money to use in the future. Everyone who has tried to save knows it is **easier said than done**. In fact, many times we have to create methods of savings that actually **trick ourselves** into putting money aside for future goals. Here are ten principles and methods that NEDCO clients have used to successfully **start and continue building** savings:

1. **Automate your savings.** Determine how much you would like to move from your checking to your savings account each month, and ask your credit union or bank to make automatic transfers. Create savings methods that don't require you to remember to take action.
2. **Bill yourself first.** Pay yourself first before spending any of your paycheck. Put a set amount in your savings account every pay period, before paying rent, utilities and other fixed expenses.
3. **Open a second savings account, far far away.** Open it at another credit union or bank that is not very close to your home or work, so you can't get your money out easily. Making accessing the savings inconvenient will help your money grow. Some online savings accounts offer higher interest rates.
4. **Empty your pockets each day.** Put your change in a special savings container or your piggybank. Every couple of months count your change and take it to the bank. Want to take it a step further? Create a Dollar Jar, and raid your wallet's single dollar bills for the Dollar Jar at the end of the week.
5. **Use a round up card.** Some banks and credit unions issue debit cards that allow you save by rounding up your purchases. For example, you are charged \$38.00 for a \$37.49 purchase. Then \$0.51 is sent to your savings account.
6. **Bank your surprise and windfalls.** If you receive money unexpectedly, as a gift or a tax refund, deposit it in your savings account. Find five dollars on the street? Into savings it goes.
7. **Identify your spending leaks** so you can stop them from draining your money away. Spending Leaks are usually little purchases that add up really fast, but that you might not be thinking about.
8. **"Savings" your "savings."** Is a 30% off sale, really help building savings? Maybe. Only if you re-direct that amount saved to your savings account. For example, if you \$10 t-shirt on sale for \$7, put \$3 in your savings account to *really* save.
9. **Get the Match.** Does your employer offer a match for making contributions to your retirement account? That's free money sitting on the table. Find out the maximum match your employer offers and meet it.
10. **Turn Savings into a Game.** One is example is the 52-Week Savings Plan: start by savings \$1 in Week One, \$2 in Week Two and so on. After 52 weeks, you'll have saved \$1378.

Saving Strategies

It's helpful to think about savings in two different buckets, Emergency Savings and Savings for Goals, because they have different purposes and uses.



Savings for Goals include savings you have “tagged” for a specific reason. A short term goal could be saving for television or a trip to the grandparents. Savings goals requiring more time could include saving for a house down payment, starting a business or a replacing car. Long term saving goals including retirement and education. Using the S.M.A.R.T. Goal framework, Savings for Goals consists of setting a plan, and slowly building “up the staircase” until you reach it.

Emergency Savings is just that, savings intended for unexpected and emergency expenses. Why save for emergencies? Just ask Forrest Gump, because they happen. Unlike “Savings for Goals,” Emergency Savings is meant to be used. Think of this bucket like a glass of water: you have to regularly use it, and you have to also regularly replenish it.

How much Emergency Savings do you need? The answer relates to how much your emergencies and surprises cost. Your car breaks down, you need a dental procedure, you incur a court fee or you have an extra high utility bill. Everyone’s “number” is different, but starting with a goal of \$500 and building from there is powerful.

Emergency savings is powerful because it actually saves you money. When you have Emergency Savings,

you charge yourself 0% in interest and \$0 in fees.

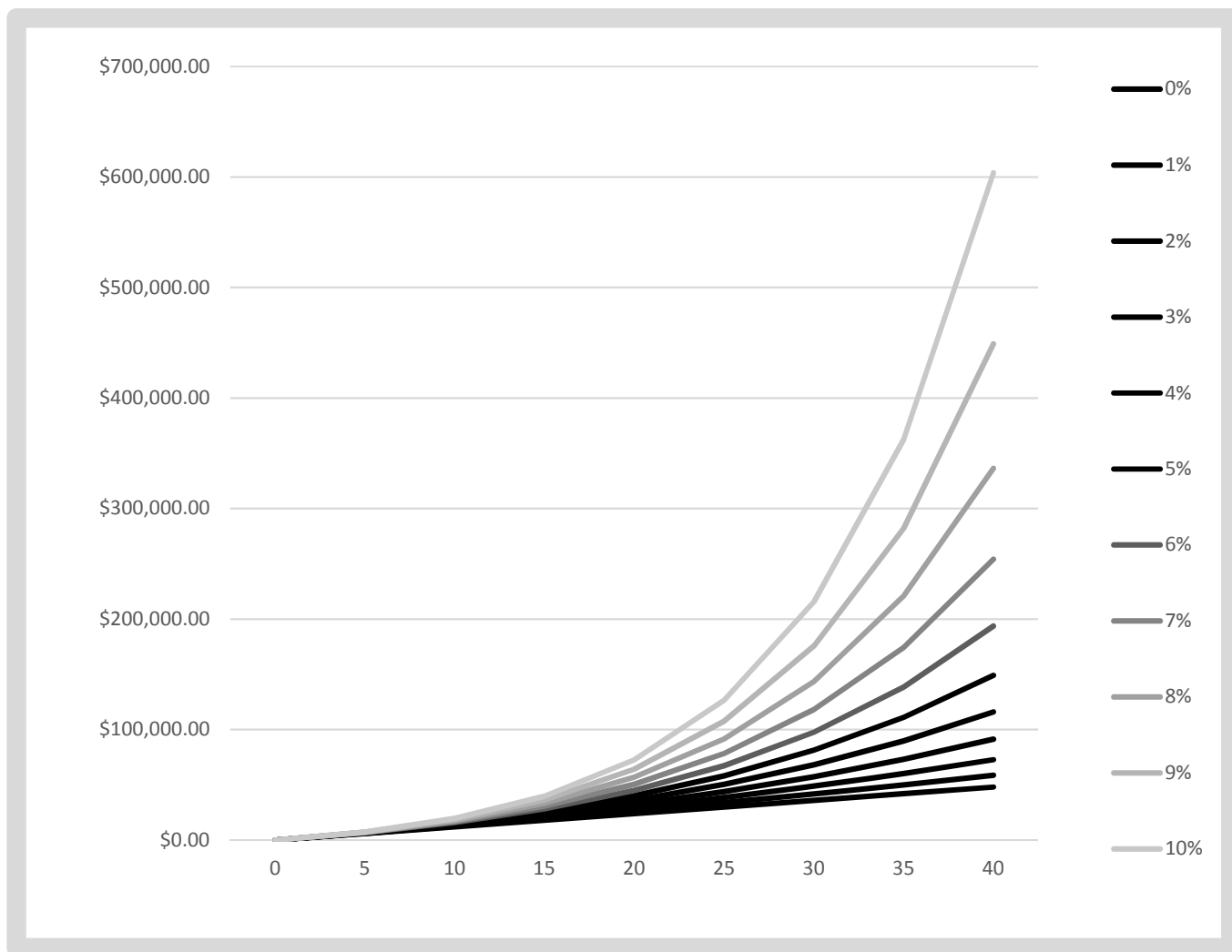
That’s better than a credit card interest or bank overdraft fees, right? That’s savings and peace of mind.



Coffee-A-Day Compound Interest

\$3.25/Day or \$100/Month

		Interest Rate										
		0%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
Years	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	5	\$6,000.00	\$6,121.77	\$6,247.15	\$6,376.26	\$6,509.23	\$6,646.16	\$6,787.21	\$6,932.49	\$7,082.15	\$7,236.33	\$7,395.17
	10	\$12,000.00	\$12,557.27	\$13,150.75	\$13,783.04	\$14,456.97	\$15,175.58	\$15,942.14	\$16,760.16	\$17,633.46	\$18,566.10	\$19,562.50
	15	\$18,000.00	\$19,322.59	\$20,779.76	\$22,386.87	\$24,161.14	\$26,121.88	\$28,290.76	\$30,692.12	\$33,353.28	\$36,304.92	\$39,581.53
	20	\$24,000.00	\$26,434.63	\$29,210.43	\$32,381.23	\$36,009.89	\$40,169.90	\$44,947.21	\$50,442.42	\$56,773.39	\$64,078.25	\$72,519.01
	25	\$30,000.00	\$33,911.15	\$38,526.98	\$43,990.84	\$50,477.18	\$58,198.56	\$67,414.26	\$78,440.94	\$91,665.74	\$107,562.43	\$126,711.35
	30	\$36,000.00	\$41,770.84	\$48,822.50	\$57,476.76	\$68,141.69	\$81,335.79	\$97,718.94	\$118,132.35	\$143,649.96	\$175,644.77	\$215,874.48
	35	\$42,000.00	\$50,033.33	\$60,199.87	\$73,142.23	\$89,710.00	\$111,029.15	\$138,595.41	\$174,399.89	\$221,098.42	\$282,240.02	\$362,575.38
	40	\$48,000.00	\$58,719.27	\$72,772.76	\$91,339.51	\$116,044.83	\$149,136.39	\$193,731.65	\$254,166.18	\$336,484.68	\$449,134.16	\$603,943.68



Selecting a Financial Institution

A relationship with a financial institution will allow you to track your funds, save money safely, and possibly build credit. It doesn't hurt to have a relationship with a bank when you need a loan for a car or house, either.

Selecting the Right Credit Union or Bank for You

There are nearly limitless options for banking these days. You can choose a national bank, local bank, credit union or even an online bank. It is important that you find the bank that will work best for you. Do you care about in-person customer service? Account minimums? Overdraft protection? Loan availability and rates? Community involvement? Compare interest? ATM locations? Fees?

No financial institution is perfect, but you should be able to establish a relationship with a bank or credit union you trust, and which will be mutually beneficial to you and the institution.

Step One: Prioritize

Think about what is most important to you in a banking situation. Do you want to develop a personal relationship with a bank? Or is it important that you be able to access your branch offices when you are out of town?

Step Two: Personalize

Consider what services you will need. Are you interested in online banking? Do you use banking apps? Look for an institution that offers no cost online banking. Do you use an ATM often? Look for a bank or credit union that offers low-cost or free ATM access and has a wide ATM network.

Step Three: Compare

Compare interest rates and service charges for all accounts you will have (we recommend that you use at least a checking and a savings account). Are there charges for your checking account each month? If so, shop around to see if there is something comparable available for no cost. Do you receive a reasonable return on your savings accounts given market conditions? If not, look around to see if another bank offers a better rate for savings or money market.

Step Four: Convenience

Consider a financial institution that is convenient to your everyday activities. Look for a credit union or bank with branches that are on your drive to work or are near places you frequently go. Some credit unions partner with other credit unions across the country to deliver the same service wherever you are.

Step Five: Relationship

Stop by the branch office where you will be banking most often. Do you enjoy the staff people? Are they personable, friendly and professional? Are managers and account officers available? Are the hours of operations sufficient for your needs?

Ask around! Your friends and family most likely have some banking experience and can make good recommendations.

Selecting a Financial Institution

Bank, Credit Union and Internet Bank Comparison

	Big banks	Regional banks	Credit unions	Internet Banks
General definition and attributes	Assets > \$1,000 billion, national market, one-stop shop for financial services and products	Assets > \$10 billion, operate in regional markets	Not-for-profit and member owned; credit unions have membership/eligibility requirements	No branches (no live tellers), online banking only and phone service only, accounts generally available in all 50 states
Widely available ATMs?	X	X	X	
Location of branches/ATMS	Across the country, national markets	Within regional markets	Typically only within regional markets; *note: some credit unions participate in networks with nationwide ATM access	No branches; part of ATM networks (e.g., Allpoint)
Customer service	24/7 service availability, less personal, better online technology	Varies	Personalized service, service hours more limited. Technology may lag behind big banks	24/7 service through phone and web, better online technology
Financial terms (fees and rates)	Standardized account offerings, stricter requirements /higher fees, lower interest rates on deposit accounts	Similar to big banks, but more diverse account offerings and terms	Lower fees and less strict requirements	Lower fees, higher interest rates on deposit accounts (e.g., savings account)

Source: <https://www.nerdwallet.com/blog/banking/financial-institutions/>

CREDIT FOR QUALIFIED RETIREMENT SAVINGS CONTRIBUTION (FORM 8880)

Savers' Credit

You may be able to take a tax credit for making eligible contributions to your IRA or employer-sponsored retirement plan.

Who's eligible for the credit?

You're eligible for the credit if you're:

1. Age 18 or older;
2. Not a full-time student; and
3. Not claimed as a dependent on another person's return.

See the instructions for **Form 8880, Credit for Qualified Retirement Savings Contributions**, for the definition of a full-time student.

Amount of the credit

The amount of the credit is 50%, 20% or 10% of your retirement plan or IRA contributions up to \$2,000 (\$4,000 if married filing jointly), depending on your adjusted gross income (reported on your Form 1040 or 1040A). Use the chart below to calculate your credit.

AGI	Married filing jointly or qualifying widow(er)	Head of household	Single, married filing separately, or surviving spouse
Not more than \$18,000	50%	50%	50%
\$18,000 - \$38,000	20%	20%	20%
\$38,000 - \$41,000	10%	10%	10%
\$41,000 - \$63,000	0%	0%	0%
More than \$63,000	0%	0%	0%

2018 Saver's Credit			
Credit Rate	Married Filing Jointly	Head of Household	All Other Filers*
50% of your contribution	AGI not more than \$38,000	AGI not more than \$28,500	AGI not more than \$19,000
20% of your contribution	\$38,001 - \$41,000	\$28,501 - \$30,750	\$19,001 - \$20,500
10% of your contribution	\$41,001 - \$63,000	\$30,751 - \$47,250	\$20,501 - \$31,500
0% of your contribution	more than \$63,000	more than \$47,250	more than \$31,500

Retirement savings eligible for the credit

The Saver's Credit can be taken for your contributions to a traditional or Roth IRA; your 401(k), SIMPLE IRA, SARSEP, 403(b), 501(c)(18) or governmental 457(b) plan; and your voluntary after-tax employee contributions to your qualified retirement and 403(b) plans.

Rollover contributions (money that you moved from another retirement plan or IRA) aren't eligible for the Saver's Credit. Also, your eligible contributions may be reduced by any recent distributions you received from a retirement plan or IRA.

*Single, married filing separately, or qualifying widow(er)

<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit>