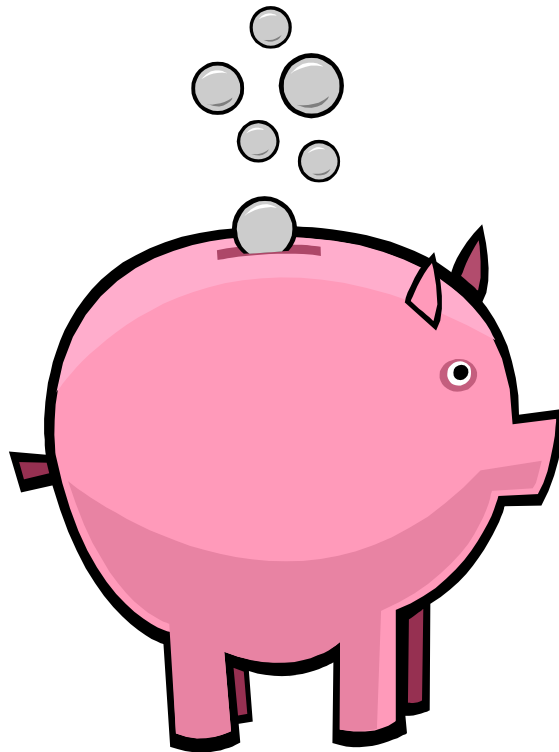


# saving *for your future*

*Saving Money to Reach Your Financial Goals*



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FINANCIAL MENTORING PROGRAM

PORT  JOBS

### **IN THIS MODULE YOU WILL LEARN HOW TO:**

- Create short, intermediate, and long-term savings goals.**
- Build an emergency savings fund for your family.**
- Develop a savings plan with specific, measurable goals.**
- Calculate the monthly savings needed to reach each goal.**
- Pay yourself first to help you reach your financial goals.**
- Develop successful savings strategies.**

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# saving *for your future*

## *It Pays to Save*

Saving money is an essential part of reaching financial goals. Unfortunately, many people make the mistake of waiting to save money until they feel that they have “extra” money to set aside. It is common to feel too overwhelmed by

your current financial situation to save money.

However, when you start earning more money, chances are your spending habits will also “adapt” to your new income, and you will spend more and have little “left

over.” The key to saving money is decide that you can do it, and make room for it in your current spending.

## *Why is Saving so Hard?*

Saving money is never easy – in fact, it’s hard work. Actually, it is not saving that is hard, but rather that spending is so easy! As consumers we are bombarded everyday with temptations, and it is hard to say no. Sometimes, spending money (whether on yourself or others) is considered a sign of well-being in our culture. And simply, spending money makes us feel good.

**HAVE YOU TOLD YOUR-  
SELF YOU WILL SAVE  
LATER, WHEN YOU  
HAVE “EXTRA” MONEY?  
BE CAREFUL, YOU MAY  
WAIT A LONG TIME FOR  
THAT DAY TO COME.**

It is often difficult to see immediate results of saving; whereas buying something is instantly gratifying. There are many hurdles to saving money – but all of these can be overcome by realizing your financial goals, and making them happen.



## *Pay Yourself First*

Paying yourself first means putting money aside for your savings goals *before* you spend that money on non-essential expenses. Just as you pay your rent, utilities, and phone bill before you run out of money, consider paying yourself first before you ‘nickel and dime’ your money away.

Ask yourself what is more important - that daily cup of coffee and a new CD, or meeting your financial goals? Look for ways that you could reduce your spending: could you eliminate \$10 a month from your entertainment spending? How about another \$10 from snack food, and additional \$15 by bringing your lunch to work every day?

As you reduce your spending, you can feel good about saving. Paying yourself first is investing in your future.

**Often, being able  
to save money is  
just a matter of  
making priorities  
and sticking to  
good spending  
habits.**

## *Starting Small is OK - Just Start!*

Don't be discouraged if you only have a little bit of money to save. Saving doesn't have to be a financial burden – even saving \$1 or \$2 a day will have a significant impact on your financial future. The most important thing is to start now!

For example, saving just \$2 a day, you'll have:

- \$730 after 1 year
- \$3,650 after 5 years
- \$7,300 after 10 years

With interest, you'll have close to \$8,000 in just 10 years. What could you do with \$8,000?

## *Creating Savings* Goals

The first step to saving money is to develop savings goals. It is helpful to think about savings goals in terms of short, intermediate, and long-term goals. In addition, it is very important to have an emergency fund, to protect your family's financial stability in case of an emergency such as injury or job loss. What are some of your goals that fall into these categories? Use the worksheet on the next page to write them down.

**Short-term goals:** The fun part about saving is being able to afford something special that you have been working towards. Consider turning an impulse buy – that might put a kink in your monthly spending plan – into a short-term goal. Put money aside for these goals, and within a



few weeks or months of consistent saving, you'll be ready to buy the item - with cash! Examples of short-term goals include:

- Buying a new TV
- Giving holiday gifts to your family
- Paying a past-due bill

**Intermediate-term goals.** It is also helpful to set goals for things that you would like to have or do in 2 to 5 years. Think of these as stepping stones to your financial stability. Examples might include:

- Paying off your smaller debts
- Owning a reliable car
- Taking a dream vacation

**Long-term goals.** Savings goals for big-ticket items will take more time and effort – but don't give up – the results are worth it! Saving for a long-term goal is investing in your future. Long term goals might include:

- Giving your kids a college education
- Owning your own home
- Starting your own business



**Emergency reserve goals.** Building an emergency fund might be the single most important thing you can do to protect your family's financial stability. Having a secure financial future requires putting money aside for emergency situations. If you lost your job tomorrow, could you pay your rent next month? If your child became ill or had an accident, could you cover the medical expenses?

It is never easy to know what will happen in the future, or how much money you would need in an emergency. The amount of emergency savings depends on your family situation. In general, it is recommended to save 2 to 3 months' living expenses. Some people like to save 2 to 3 months' salary. If you have a large families, or have special needs, consider building a 3 to 6 month cushion. Remember, use this money only in a true emergency – not just to make ends meet.



## IDENTIFY SAVINGS GOALS

What are your dreams, and your financial milestones? What do you hope to purchase or accomplish?

### Short Term Saving Goals (within 1 year)

- 1 \_\_\_\_\_
- 2 \_\_\_\_\_
- 3 \_\_\_\_\_

### Intermediate Term Saving Goals (within 2 - 5 years)

- 1 \_\_\_\_\_
- 2 \_\_\_\_\_
- 3 \_\_\_\_\_

### Long Term Saving Goals (5+ years)

- 1 \_\_\_\_\_
- 2 \_\_\_\_\_
- 3 \_\_\_\_\_

### Emergency Saving Goal

\_\_\_\_\_  
\_\_\_\_\_

## Making a Savings Plan

The next step to successful saving is to turn this list of goals into a realistic monthly savings routine. How much would you need to save every month to meet those goals? To figure this out, you will need to know how much money you need to reach each goal, how much time you will need to save, and exactly how much money you should put aside each month.

**TO MAKE SAVINGS  
GOALS REAL,  
CALCULATE EXACTLY  
HOW MUCH YOU NEED  
TO SAVE EACH  
MONTH...AND THEN  
MAKE IT HAPPEN!**

Make sure to calculate monthly savings goals that are still within your means – don't set goals that your budget cannot maintain right now. If you need to, prioritize your goals, and postpone a few for a later date. It is okay to have a "current list" of goals you are actively saving for, and a "wish list" of goals that you hope to save for later.

Following the instructions below, use the worksheet on the next page to calculate your monthly savings for each goal you want to save for today.



### WORKSHEET INSTRUCTIONS

- STEP 1:** List the goals that you want to start saving for today.
- STEP 2:** Estimate the amount of money you will need for each goal.
- STEP 3:** Estimate when you would like to reach each goal.
- STEP 4:** Divide column A by column B - this is how much to save each year.
- STEP 5:** Divide column C by 12 - this is how much to save each month.



## SETTING SAVINGS GOALS

Goals to Start Saving for Today (Specific, Realistic, Measurable)	A Total Amount Needed	B Amount of Time to Reach Goal (In Years)	C Amount to Save Each Year (Divide A by B)	D Amount to Save Each Month (Divide C by 12)
<i>Example:</i> New bunk beds from Target	\$400	1 year	\$400	\$33
<i>Example:</i> New, reliable, used car	\$2,500	5 years	\$500	\$42
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			\$	\$

Total Amount to Save Each Month

\$



## SAVINGS TIPS

- Pay yourself first - set money aside each paycheck before you ‘nickel and dime’ it away.
- Think of savings as another one of your monthly expenses – when you pay bills, write a check to your savings account.
- Save all unexpected income, such as gifts, rebate money, tax returns, bonuses, etc.
- Collect your pocket change – make a point to not spend your change during the day, and collect it each night.
- Take advantage of pre-tax payroll deductions, such as a 401(k) plan.
- Set up an automatic payroll deduction directly into your savings account.
- Make a game out of saving – see how much you can save in a month, while still paying all bills in-full and on-time.
- When deciding how much to save, think of how many cents a day, or dollars a week you will need to save.
- If you still feel like you can’t afford the monthly saving amount, try increasing the time you will have to save - put off your new bed another 3 months.
- Always try to find the lowest cost alternative. Consider buying the item used, or going on a vacation closer to home.



## *About This Module*

The Financial Mentoring Program (FMP) offers resources for community organizations interested in providing financial mentoring services to clients. This training module is part of the FMP's take-home curriculum. Other modules in this series include:

*Developing a Spending Plan:* How to create and use a spending plan to manage your finances and make your money work for you. Learn how to track income and expenses, reduce spending, and more.

*Car Insurance: Are You Protected?:* Outlines car insurance basics, types of coverage, and how to shop for it.

*Taking Control of Your Debt:* The basics of understanding debt, how to identify warning signs of debt problems, how to avoid debt traps, steps for getting out of debt yourself, and how to get outside help.

For copies, call Port Jobs at (206) 728-3883 or visit the FMP website at [www.financialmentoring.net](http://www.financialmentoring.net).

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## *Acknowledgments*

Reference materials from the following sources were particularly helpful in developing this module:

- Community Action Partnership™ and NEFE®, [www.managingmymoney.org](http://www.managingmymoney.org)
- Fannie Mae, *Growing Your Money: Personal Financial Tools and Home-Buying Guides*
- FDIC, *Money Smart Curriculum*
- Federal Trade Commission, *FTC Consumer Alerts*
- Freddie Mac, *CreditSmart® Curriculum*
- National Endowment for Financial Education®, *Financial Education Clearinghouse*
- University of Minnesota Extension Service, *Getting Through Tough Times Series*