

# Financial Well-being *SAVINGS*



# SAVINGS

Savings is a key part of a successful financial wellness plan. Specifically, having not only a basic savings level (emergency fund), but also building up enough savings to cover short term needs and wants such as a vacation or covering infrequent expenses such as buying gifts around the holidays. You may also have long term goals that you need to save for like retirement or college funds.

Let's focus on how to start saving and how to create an ongoing savings habit.

## Let's start

Your savings approach will vary depending on where you are in your wellness journey. Let's start by covering the basic savings steps:

**1. Avoid living beyond your means** and change your monthly spending habits. This means changing the behavior that created the debt and is preventing you from saving. It is not too late to start! If you need more information on how to start a budget, take a look at our Financial Well-being – Managing Your Expenses document. When you get started, don't beat yourself up if there is a bump in the road and you have to dip into your savings.



Start fresh the next month, remember your goals and keep in mind that financial wellness is a life long journey. You can do this!

**2. Create an emergency fund** of \$1000 by pulling together any extra funds that you can. Start with any extra money that you receive (i.e. gifts, rebates, tax return check, purchase refunds, sell some of your stuff, etc.). Create the habit of saving by putting change in a jar or even putting aside \$5 a week.

**3. Pay off your revolving debt** such as credit cards, student loans and/or car loans. As you pay each debt off, apply that additional money toward your emergency savings so that you have 3-6 months of expenses set aside.

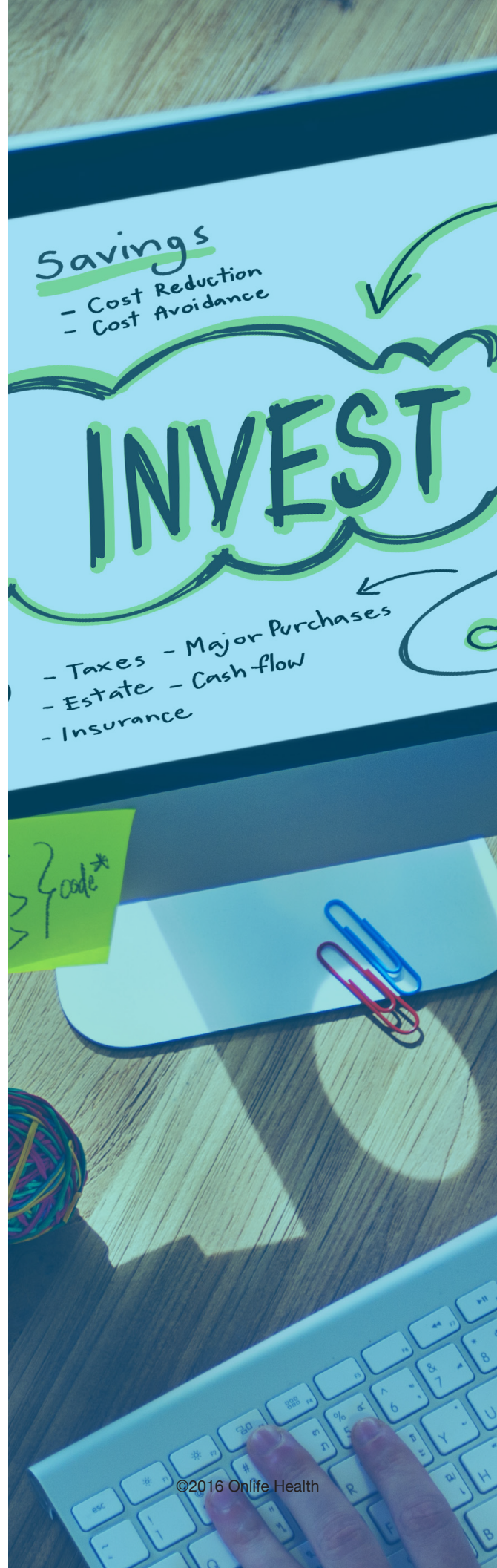
**4. Pay yourself first.** Create a monthly deposit from your paycheck directly into your savings, or an automatic deduction from your bank account to savings right after you get paid. This means you have already accounted for savings as you pay your monthly expenses. Increase your monthly savings over time when you have extra money (get a raise, have extra income, find ways to trim your monthly expenses).



If your family has a medical procedure planned during the next year (ex. pregnancy or optional surgery) or you spend a lot of money on medical costs monthly, you may want to add this money to your Health Savings Account (HSA), or a Healthcare Reimbursement Account (HRA). Ensure that you have enough saved to cover your infrequent, but reoccurring bills like healthcare expenses, car maintenance, vacation costs, birthday and holiday expenses, etc.

You can determine how much you should save for infrequent expenses by calculating your annual expenses and dividing by 12. Then subtract out the average expenses for the last 3 months. Next, add any additional amounts that you know will come due over the next 24 months. If you are new to the budgeting process, create a simple estimate for these new infrequent expenses. You can always adjust your amounts as you go along.

**5. Become an investor.** When you have that basic savings habit started, begin thinking about long-term investing. Maximize your 401(k) contribution so that you are benefiting from your employer’s match program – if they offer one – and take advantage of the “free” investment money.



Find a Certified Financial Planner if you are looking for additional advice.

## What type of a Savings Account should I have?

If you are looking for a place to park your emergency fund, then a basic savings account may be best. When you evaluate the savings options, look for the following features:

**1. Access** – your money should be out of sight so it is not easy to spend and doesn't get spent accidentally. You are more likely to spend money that is sitting on your dresser or in your checking account than money in a savings account. Consider moving your money to an online basic savings account. They are easy to access – allowing you to deposit money and check your balance or account details online. If you use an online savings account, know the withdrawal limitations so that you don't have penalties or extra fees.

**2. Interest rate** – you want your money to grow so make sure that your money is earning interest. In general rates are relatively low, but you should still shop around and make sure that the rate at your financial institution is competitive.



**3. Security** – to ensure that your funds are protected, make sure that your account is FDIC insured. You can determine this by looking online or asking your financial institution.

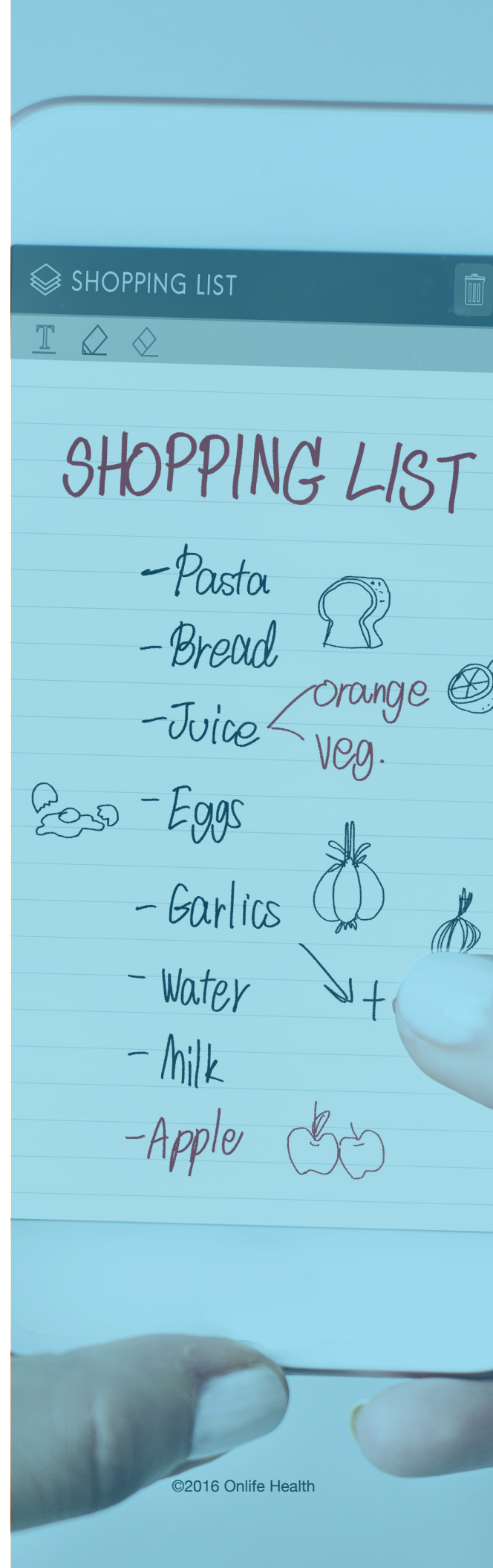
## Other ideas to increase your savings

Avoid overspending by:

1. Shop from a list and research prices before you shop. You will have a better chance of avoiding an impulse purchase, not being influenced by salesmen, or getting a bad deal if you compare prices and focus on the items on your list when you are in the store.
2. Avoid shopping when you are in a hurry, tired or hungry.
3. Pay with cash.

Money savings suggestions:

1. Get healthy (make your health a priority) – save on life insurance, medical and pharmacy costs, and possibly earn employer incentives.



**2.** Review your car insurance coverage – remove services that you may not need. Shop around every 3-5 years to see if there are other companies that may have a lower rate for the same coverage.

**3.** Review your cell phone bill – you may be able to remove/reduce services that you don't use like international calling. If you don't use your phone a lot, "pay as you go" service may be a better option for you.

**4.** Eliminate your home phone.

**5.** Pay off your debt and pay your bills on time to avoid paying interest and penalties.

**6.** Brown bag it – take your lunch to work. You will save money and most likely eat better.

**7.** Make your own coffee – don't purchase that cup of coffee every morning. Make that coffee purchase an occasional treat.

**8.** Save on text books – buy them online, buy used, or rent them.

**9.** Pack a healthy snack in the car for the kids before you leave the house. You know that they will get hungry so avoid the extra stop and junk food by planning ahead.



**10.** Take advantage of free events and the library. Take a hike or enjoy a concert in the park.

Need a calculator to evaluate if you are saving enough monthly or the impact of interest rates, etc? Try [calculator.me](https://www.calculator.me)

Creating a savings habit, an emergency fund and accumulating some savings to cover your infrequent expenses, is an important part of meeting your financial wellness goals. Get started today and watch your money grow. You may need to make some small sacrifices along the way, but your financial wellness is worth it.

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