

RUTGERS

New Jersey Agricultural
Experiment Station

Saving and Investing: Small Steps to Wealth

America Saves Week 2012

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Three Keys To Successful Saving



Set a Goal. Make a Plan.
Save Automatically.

Set a Goal....

SMART Goals

Specific

Measurable

Adaptable

Realistic

Time Bound



Examples of SMART Goals

- *Save \$2,600 for a down payment on a car by saving \$50 a week for one year.*
- *Reduce credit card debt by paying an extra \$15 a month (above the minimum payment) for twelve months.*



Make a Plan....



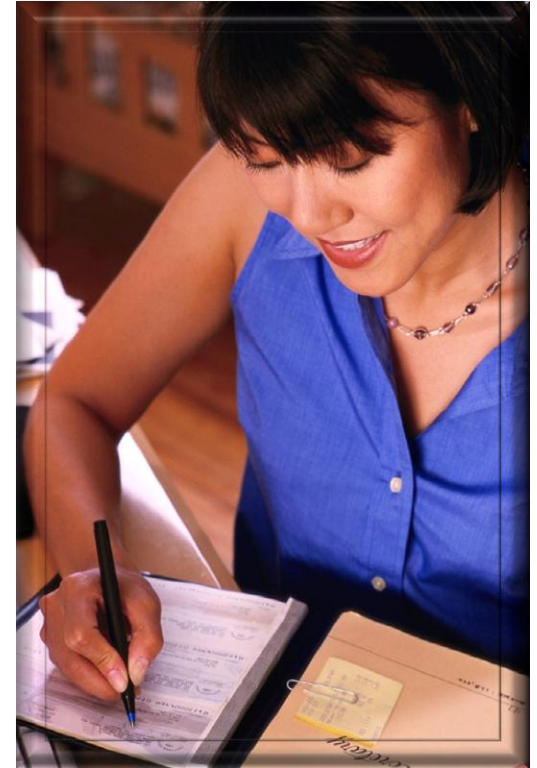
Track Income and Expenses

- *Income* is money that is received
- *Expenses* refer to payments that are made
 - *Fixed expenses* are payments that must be made each month and the amount stays the same.
 - *Flexible expenses* vary in amount depending on your choices.
 - *Seasonal or periodic expenses* occur less often than monthly

Make a Plan

Develop a Spending Plan/Budget

- Develop a rainy day fund
 - Save 3 to 6 months worth of expenses
- Use the spending plan/budget as a roadmap for managing your money
- Monitor spending and make necessary adjustments when you get off track





Save Automatically....

“Pay Yourself FIRST!”

- Payroll Department/Rutgers “Self Service”
 - 403(b) plan and credit union deposits
- Pre-authorized deposit to savings or investment account

AMERICA
Saves 
START SMALL. THINK BIG.



Definition of Savings

“Putting money aside from present earnings to provide for the future.”



Types of Savings

- Emergency fund (3-6 months expenses)
- “No-touch” money for long-term goals
- Savings for short/intermediate term goals
- “Accumulation fund” for large, irregular bills



Reasons To Save

- To cope with emergencies
- To purchase “big ticket” items
- To fund high-cost future goals
- To generate income
- For security and peace of mind
- For the good of the country



Why People Don't Save

- Overspending and outstanding debt
- No goal or plan
- Lack knowledge about how/where to save
- High cost of living in DC area
- Lack of motivation



Ten Tried and True Ways to Save Money



1. Collect Coins

- This is something many people do
- Many banks have free coin-counting machines for account holders
- Avoid paying a fee to count your own money
- “Kick it up a notch”: \$1 a day plus change
- Use see-through containers for motivation



2. Anticipate Extra Paychecks

- Paid weekly: 4 months with 5 paydays
- Paid weekly: 2 months with 3 paydays
- Mark paydays on calendar
- Use “extra” money to:
 - Reduce debt
 - Save



3. Automated Employer Retirement Savings Plans

- 401(k) plans- corporations
- 403(b) plans- schools and non-profits
- Section 457 plans- state/local government



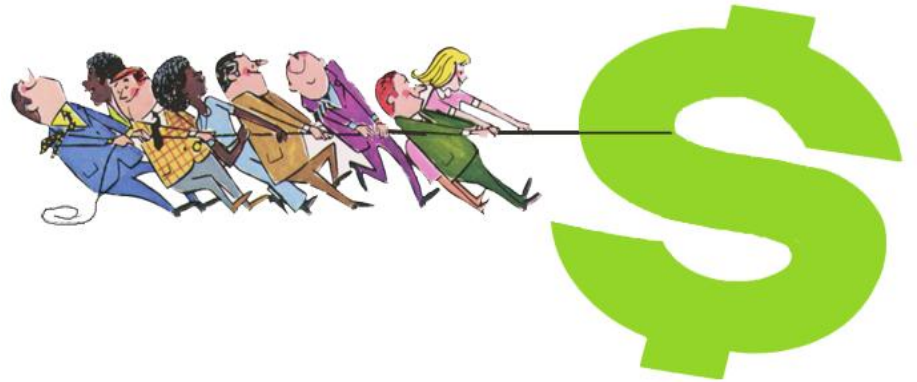
4. Use Other Automated Savings Opportunities

- Mutual fund AIPs (automatic investment programs)
- Direct stock purchase plans
- Treasury Direct plan for U.S. Savings bonds
- Credit union
- Holiday clubs
- Other?



5. Continue Paying a Loan or Bill: To Yourself

- Continue making monthly payments- to savings- after a loan or expense ends
 - Car loan
 - Mortgage
 - Child care
- Does not affect lifestyle
- Don't feel "deprived"



6. Accelerate Debt Repayment

- Always pay more than minimum payments
- Get *PowerPay* analysis through Cooperative Extension or www.powerpay.org



Current Debt (\$)	Percentage of Outstanding Balance Repaid (%)	Amount of Outstanding Balance Paid (\$)	Amount Paid in Interest (\$)	Years to get out of Debt
\$1,000	3%	\$30	\$684	8
	4%	\$40	\$465	6
	6%	\$60	\$285	4
\$5,000	3%	\$150	\$4,567	16
	4%	\$200	\$2,808	11
	6%	\$300	\$1,592	7
\$10,000	3%	\$300	\$9,421	20
	4%	\$400	\$5,738	13
	6%	\$600	\$3,226	8
\$15,000	3%	\$450	\$14,276	22
	4%	\$600	\$8,668	15
	6%	\$900	\$4,860	9
\$20,000	3%	\$600	\$19,130	24
	4%	\$800	\$11,597	15
	6%	\$1,200	\$6,494	9

7. Track and Slash Expenses

- Write down *everything* you/family spend
- Get monthly total for all categories
- Study numbers and identify “leaks”



8. Bank Windfalls (a.k.a., “Found Money”)

- Retroactive pay
- Gambling proceeds
- Tax rebates
- Gifts and inheritances
- Insurance dividends
- Other?



Check www.missingmoney.com for state unclaimed property

9. “Kick It Up a Notch”

- Whatever you’re doing to save, do more
 - Example: 3% of pay in 401(k) instead of 2%
 - \$2 a day plus change instead of \$1 a day
 - \$100 EE bond instead of \$50 EE bond
- Best times to do:
 - When expenses end
 - When income increases



10. Increase Yields on Savings

- Interest rates are extremely low
- Expected to remain so through 2013-2014
- Higher-yielding alternatives:
 - Credit union share accounts
 - CDs (laddered purchases)
 - U.S. savings bonds
 - Treasury notes
 - Money market mutual funds



Saving vs. Investing

• Saving

- Provides money for short-term goals and emergencies
- “Parking place”
- Principal is “safe”
- Low risk
- Low reward

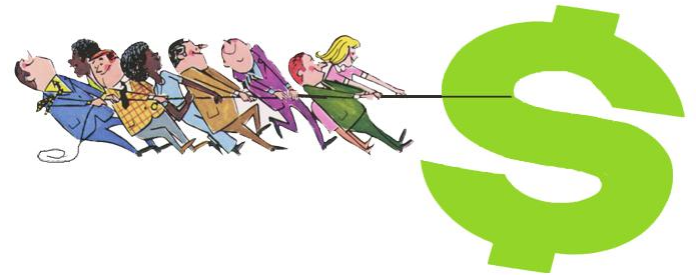


• Investing

- Accumulates money for long-term goals
- Higher average return than cash assets historically
- Can lose principal
- Volatility of account value
- Potential for capital appreciation (stock)

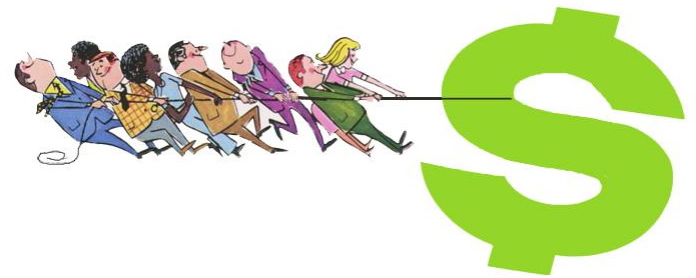
Important Investment Principles

- Asset allocation (weighted % of stock, bonds, cash, etc.)
- Diversification
- Dollar-cost averaging
- Maintain a long-term perspective
- Select low expense investments
- NEVER invest in anything you don't understand or feel comfortable with



Stocks On A Shoestring

- Don't need five-figure sums and a broker
- Low-cost options include:
 - investment clubs
 - DRIPs (need to be shareholder first)
 - DPPs (allow purchase of first share)
 - online investing (minimum amounts vary)



Fixed-Income Investments On A Shoestring

- All Treasury Securities now have \$100 minimums (bills, notes, bonds)
 - Periodic auctions determine the interest rate paid to investors
 - Interest is exempt from state income tax
- Even lower minimum deposits for U. S. savings bonds:
 - \$25- EE bonds (\$50 face value)
 - \$50-I bonds (\$50 face value)



Mutual Funds On A Shoestring

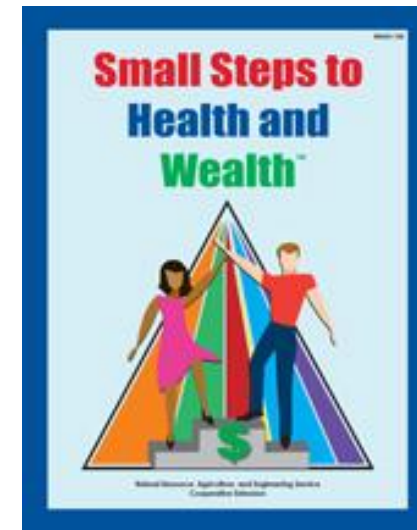
- Professionally managed portfolio of securities (e.g., stocks, bonds)
- Provides diversification to reduce risk of loss
- Initial investments vary: \$250 to \$25,000
- Funds set own purchase and redemption policies
- If require $> \$1,000$ deposit, usually 3 exceptions:
 - IRAs and other retirement plans
 - Minor's accounts (UGMA)
 - Automatic investment ("sharebuilder") plans



Turn Your Dreams to Reality

Set a Goal.
Make a Plan.
Save Automatically.

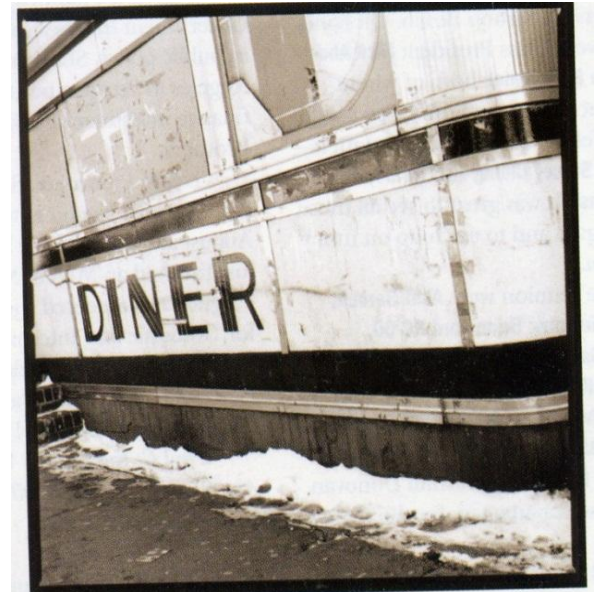
Every Small Step Makes a Difference



What You Think About, You Bring About!

“The Jersey Diner Approach”

- Adopt strategies that work for you
- Choose 3 to 4 (max) strategies



SSHW in Action: The Online SSHW Challenge

WorkSheet - Windows Internet Explorer

http://rutgers.ancc.net/html/worksheet.cfm

Google Search

SSHW Worldwide Challenge 2010 (1/24/2010 to 2/27/2010)

Total To Date: 370

Week of 2/14/2010 to 2/20/2010

Daily Activity	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total
Ate at least 4 cups of fruits and vegetables	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	30
Exercised at least 30 minutes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Drank water or unsweetened beverages instead of sugar-sweetened beverages	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Tracked 10,000 (or more) steps by walking with a pedometer	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Learned something new related to health and/or nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	20
Saved \$1 bill (or more) and/or loose change in a can or jar	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Invested \$5 (or more) including automatic deposits (e.g. 401(k)s)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Tracked money spent throughout the day	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Ate lunch prepared at home instead of at a deli or restaurant	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Learned something new related to personal finance (reading, internet, media reports, etc)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Total	90	90	100	90	0	0	0	

Save Changes

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Celebrate America Saves Week

Become a Saver today!

<http://www.americasaves.org>

