

CONCERN[®] Services

We're More Than An EAP...

Our goal is to Help People Live Better & Help People Work Better. The following information from the **CONCERN WorkLife Services** program is intended to help you accomplish that goal and remind you that, as your Employee Assistance Program, we are here for you and your family. Visit us on-line at www.ak.concernservices.com or call (513) 891-1627 / (800) 841-5002 for no-charge, confidential assistance.

Budgeting Basics: Saving for Tomorrow

Saving money is important for several reasons:

1. It provides funds for emergencies and unexpected expenses.
2. It helps you reach your financial goals.
3. It gives you a feeling of security.

First, save and build an emergency fund so you have money available for unexpected expenses such as car repairs, medications, and appliance breakdowns. Most experts suggest having an emergency fund equal to 3 months of living expenses in case you lose your job or become ill and cannot work. This allows you a cushion to pay bills. Often people feel they cannot save that much money, but you can start by saving small amounts out of each paycheck.

Save some money from each paycheck to put toward your goals and to pay those expenses that do not occur monthly, but at specific times during the year.

"Pay yourself first" is a good rule to follow each time you receive money. Put money aside for savings before spending your income and you will have a reserve to fall back on when needed.

Practicing this rule may mean you delay buying some items you want now to build up your savings. The security of knowing you have money if your car breaks down may be worth more than eating out a couple of times a week.

How Money Grows

Your savings will grow as you add money to it, but it also grows through compounding interest. With compounding interest, saving even small amounts can add up over time. Compounding means the interest that is earned also earns interest when it is left in the savings account. Let interest work for you on your savings instead of against you on credit card debt.

If you save \$5, \$10, \$15, or \$20 at the beginning of each week and earn 5% interest, your money would grow to the following amounts:

Amount Saved Per Week	Value After (at 5% interest)		
	2 years	5 years	10 years
\$5	\$547	\$1,478	\$3,375
\$10	\$1,094	\$2,995	\$6,749
\$15	\$1,641	\$4,433	\$10,124
\$20	\$2,189	\$5,910	\$13,498

As the chart shows, the more you save, the more interest you earn and the faster the account grows. If you save at the beginning of the week rather than the end of the week (or the month or year), your money grows faster (since it has more time to grow). How much do you want to try to save each week?

Rule of 72

The *Rule of 72* is a quick way to figure how your savings will grow:

- Divide 72 by the interest rate your money will earn. This will tell you how many years it will take for your money to double.
Example: If you earn 6% interest on your money, it will take 12 years for your money to double.

$$72 / 6\% = 12 \text{ years}$$

- Divide 72 by the number of years you want your money to double, and you will know what interest rate you must earn. If you want to double your money in 6 years, you must earn 12% interest.

$$72 / 6 \text{ years} = 12\%$$

Yearly Savings to Reach a Goal

If you want to have \$1,000, \$5,000, or \$10,000 by a certain time, how much would you have to save at the beginning of each year if your savings earned 6% interest?

Goals			
Years to Save	\$1,000	\$5,000	\$10,000
	<i>Save per year</i>	<i>Save per year</i>	<i>Save per year</i>
2 years	\$457.96	\$2,289.80	\$4,579.59
5 years	\$167.36	\$836.78	\$1,673.55
10 years	\$71.57	\$357.87	\$715.74
15 years	\$40.53	\$202.65	\$405.31

If you divide the amount to save per year by 12, that is approximately how much you need to save each month to achieve the same goal.

Tips to Start Saving

- Save your change.
- Cut back on eating out.
- Put a dollar a day in a piggy bank and then into a savings account.
- Save any raise in pay.
- Save birthday money or any gifts of money.
- Hide your savings in a safe place until you have enough to put in the bank (so you won't be tempted to spend it).
- Open an interest-paying savings account.

What suggestions do you have for building your savings?

Start saving early in your life.

The following chart shows how much you would have at age 65 if you save either \$1,000 or \$600 at the beginning of each year for 10 years, starting at age 25, compared to how much you would have if you save either \$1,000 or \$600 at the beginning of each year for 30 years, starting at age 35.

How Money Grows

Saving early in life and allowing the money to grow does make a difference.

Save early in life at 7% interest.			Save later in life at 7% interest.		Save early in life at 7% interest.			Save later in life at 7% interest.	
Age	Amount Saved Each Year	Value	Amount Saved Each Year	Value	Age	Amount Saved Each Year	Value	Amount Saved Each Year	Value
25-33	\$1,000		\$0		25-33	\$600		\$0	
34	\$1,000	\$14,784	\$0		34	\$600	\$8,870	\$0	
35-43	\$0		\$1,000		35-43	\$0		\$600	
44	\$0	\$29,082	\$1,000	\$14,784	44	\$0	\$17,449	\$600	\$8,870
45-53	\$0		\$1,000		45-53	\$0		\$600	
54	\$0	\$57,208	\$1,000	\$43,865	54	\$0	\$34,325	\$600	\$26,319
55-64	\$0		\$1,000		55-64	\$0			
	Invested \$10,000		Invested \$30,000			Invested \$6,000		Invested \$18,000	
Value at 65:	\$112,537		\$101,073		Value at 65:	\$67,522		\$60,644	

To save \$1,000 a year, save \$80.23 at the beginning of each month.

To save \$600 a year, save \$48.14 at the beginning of each month.