



### OBJECTIVE:

To learn about information and tools that will help you to save wisely.

In Chapter 4, you spent time learning ways to build financial security by developing a workable spending plan that includes making automatic deposits into a savings vehicle each month. In this chapter we will explore savings options for short-term goals such as building an emergency reserve, purchasing a home, or planning a vacation, etc. This chapter includes an overview and resources of the following:

- Choices in banking options (banks, credit unions, and brokerage firms)
- Types of checking and savings vehicles available and tools and resources to help you assess which option is best for you
- Tools to help you organize your financial records
- Information about where you can learn more about savings and investment tools including what you should know about working with a financial planner

The next two chapters contain resources that will help you boost your savings and meet your financial goals. It will take you time and energy to read this information and to research further where needed. Taking time to do this right for yourself will pay off in your financial future.



### FITNESS TIP - JUST DO IT!

Author of *"Smart Couples Finish Rich,"* David Bach, says "You may even find yourself thinking, 'I know that. I've heard that before.' Don't let this make you feel complacent. When it comes to money, just having heard of something isn't enough; you've got to know what it means. And just knowing what something means doesn't matter if you're not actually doing it. For example, even though nearly everyone is familiar with the concept of 'paying yourself first,' most couples don't know how much they should pay themselves first, or where the money should actually go. As a result, they don't do it."

## Banking Options

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Where you bank makes a difference. Make sure you choose a bank that meets your needs, as well as one that is a financially stable institution that insures your deposits. A financial institution that insures your deposits provides you with a guarantee that your money is safe - if there should be a problem with that institution your money is insured.

### TYPES OF FINANCIAL INSTITUTIONS

1. **Banks** (Commercial Banks, Mutual Savings Banks, and Savings and Loan Associations)
2. **Credit Unions** - Non-profit financial cooperatives that are owned and controlled by their members, who may use their services. In some instances, their fees may be lower but they may not offer the same variety of banking products. However, they may offer higher interest rates on deposits. Many companies, unions, state and local governments, and communities have credit unions you may qualify to join, so you may want to explore this option.
3. **Brokerage Firms** may offer money-market funds with check-writing privileges, bank cards, or other banking services as well as investment services.

### TYPES OF ACCOUNT INSURANCE

Do business only with financial institutions that announce in writing that they are federally insured by one of the following:

- FDIC, the Federal Deposit Insurance Corporation, insures up to \$250,000 per account holder at commercial banks, savings banks, and savings and loan associations.
- NCUA, the National Credit Union Administration, insures up to \$250,000 per account holder at all federally chartered credit unions and most state chartered credit unions.
- SIPC, the Securities Investor Protection Corporation, insures money invested in brokerages (be sure to ask the brokerage firm to explain how this insurance works). SIPC does not protect against losses due to the market fluctuations of customers' investments.

### RESOURCES TO HELP YOU EVALUATE THE FINANCIAL STABILITY OF THE INSTITUTION

- Call VERIBANC research service which rates financial institutions and insurance companies (800-442-2657).
- Research the Safe and Sound ratings guide at [www.bankrate.com](http://www.bankrate.com).

## Choosing an Account

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All types of financial institutions offer similar banking services, yet particular service features and fees vary widely. The only way to select wisely is to shop and compare. Always consider at least three alternatives before making a decision.

When looking for an account, take this checklist with you. The questions below can help you choose an account that is right for you.

BANK NAME			
Is the institution insured? What does this cover?			
Type of Account			
Does this include a direct deposit option?			
How much money do I need to open the account?			
How much do I have to keep in my account to avoid fees?			
If checking, what are the fees for bounced checks?			
How many checks can I write before extra fees are charged?			
How many withdrawals can I make each month?			
Does this account pay interest? Explain how this works. What is the annual percentage yield (APY)?			
Does an ATM or debit card come with this account and what are the fees associated with its use?			
Are there any other fees? Ask to see a description in writing and be fee-wary!			
Are the locations and service hours convenient?			

## Pay Yourself First

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We've already reviewed the importance of paying yourself first in the last chapter. Once you've developed your budget and/or decided how much you want to put into savings each paycheck, you'll need to decide what type of account is right for you. Here are some basic questions to ask yourself:

### What is my savings goal? When will I need this money?

When it comes to choosing a savings account, high interest rates, low bank fees, and convenience are all important considerations. The goal is to find the account that best meets your needs.

### SAVINGS OPTIONS FOR SHORT-TERM GOALS

If you are exploring options for saving for an emergency reserve fund, a home purchase, a vacation, or any other short-term goal, be sure it is an option where your principal (the money you invest) is protected and where you can access the money in the time frame you will need it. Here are some examples:

- **Statement Savings Accounts** are accounts that earn interest. If you have a statement savings account, you will usually receive a monthly or quarterly statement that lists all your transactions.
- **Money Market Accounts** With these accounts, the initial deposit and minimum balance are usually higher than a savings account, but the interest rate may also be higher.
- **Certificate of Deposits (CDs)** are accounts where you deposit a set amount of money with a financial institution for a set period of time, such as six months, one, two, or five years, and gain a fixed amount of interest. You usually earn a higher rate of interest than in a regular savings account. The longer you promise to keep your money in a CD, the higher the interest rate. Be sure to think about your cash needs and savings goal (when do you need the money) before opening a CD, because you will pay a penalty if you withdraw your money early.

## How Money Grows

### WHY SHOULD I CARE ABOUT APY?

When comparing savings accounts, be sure to check the annual percentage yield (APY). The APY figure takes into account not only the interest rate, but also how often interest is paid. For example, an account that earns simple interest, meaning interest is compounded just once a year, would have a lower yield than an account that compounded interest daily or monthly. Annual percentage yield (APY) allows you to see how much your account will actually earn in one year, providing you don't make any withdrawals.

### KEY WORDS TO UNDERSTAND

**Simple Interest** - interest that is paid on principal only.

**Compound Interest** - interest that is paid on the original deposit plus previously reinvested interest. Interest can compound on an annual, semi-annual, quarterly, monthly, or daily basis. You want your interest to compound as frequently as possible to maximize the accumulation of your savings over time.

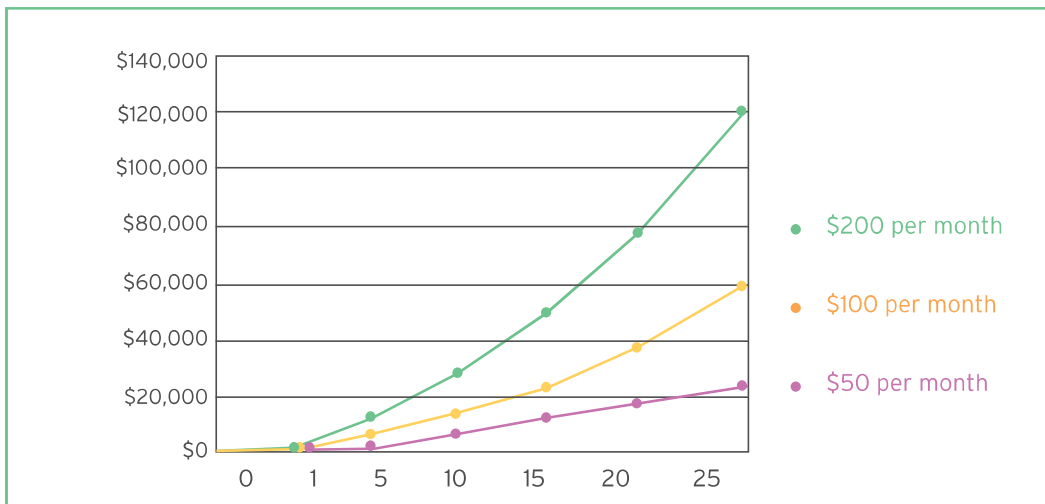
### WHEN SHOPPING FOR A SAVINGS TOOL THAT IS RIGHT FOR YOU, REMEMBER TO ASK:

*What is yield or annual percentage yield (APY)?*

*How does the interest compound?*

### WATCH YOUR SAVINGS GROW

By putting aside \$200 a month at 5% interest, you'd have \$31,186 in 10 years to put towards a financial goal.



### FITNESS TIP

Make savings easy to put in and "hard" to get out! We recommend that you select an account where it will be easy for you to deposit your savings (direct deposit from your checking account) and hard to get out (you don't need to be tempted to withdraw money with an ATM on a whim). You need to be thoughtful about tapping into savings as it may delay your financial goals.

## What You Should Know about Financial Planners

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### DO YOU NEED A FINANCIAL PLANNER?

If you're comfortable managing your money and are pleased with your investment returns, you may not need a financial advisor. Financial planners can help you manage your money, but they do charge for their services and they shouldn't make your financial life decisions for you. They can help you with advice on the following:

- Allocating your assets among the right investments
- Tax planning
- Retirement planning
- College funding
- Estate planning
- Insurance coverage

A financial planner should help you assess your financial situation and develop strategies to reduce your debt, increase your savings, manage your cash, provide tax advice, recommend investments and help plan your retirement. Never let a planner determine the level of investment risk you will take, decide what happens to your assets after your death, or do all your paperwork. Planners should advise on these issues, but you should retain the right to make the final decisions. Also, don't be fooled by insurance salesmen or brokers who call themselves financial planners or financial advisors. These people earn a commission on the investments or products they recommend and may not have your best interests in mind.

**For more information, check out Certified Financial Planner Board of Standards Inc. by visiting [www.CFP.net/learn](http://www.CFP.net/learn).**

### How do financial planners get paid?

A financial planner is paid in one of three ways: by fees, by commissions, or by a combination of fees and commissions. "Commission-only" planners are paid a percentage of any investments you make - their fees come directly out of your investment dollars. "Fee-only" planners are paid either a flat fee, an hourly rate, or a percentage of the assets they manage for you.

**To find a "Fee-only" planner near you, visit [www.NAPFA.org](http://www.NAPFA.org).**



### FITNESS TIP

Remember that you must ultimately be in control of your money and decide where you want to invest it. You must commit time and energy to learning about investing so that you understand the risk-return relationship and can make decisions that are best for you.

## Organizing Your Records

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Organize your records for safety and accessibility. It's important that valuable or hard-to-replace documents are kept in a safe place, such as a safe deposit box at a bank or a fireproof box at home, and the attorney/friend/relative who would tend to your affairs in the event of your incapacitation or death should also have easy access to the documents that would be needed.

### Where to Store Important Documents

SAFE DEPOSIT BOX	FIREPROOF BOX AT HOME	ATTORNEY, RELATIVE/ FRIEND*
Automobile title	Recent tax records	Burial instructions
Birth certificates	Insurance policies	Living will
Citizenship papers	Living will	Power of attorney
Death certificates	Power of attorney	Trust documents
Personal property inventory	Original will	Will (copy or original)
Property deeds	Trust documents	Summary page of important financial and personal information necessary in the event of your death
Education degrees	Warranties	
Legal documents	Summary page of important financial and personal information necessary in the event of your death	
Marriage documents		
Military documents		
Stock/bond certificates		
Back tax records		

*Do not put the original copy of your will in your safe deposit box.* Some states require that a safe deposit box be sealed at the renter's death until the probate process is completed. This could take a year or more.

\*Documents placed with an attorney or another person for safekeeping should also be stored in your fireproof box at home or in a safe deposit box. The duplicates may be originals or copies.

## How Long to Keep Records

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*When in doubt, don't throw it out!*

**In general, the following should be retained permanently:**

- Income tax returns, worksheets, and documentation for deductions; The Internal Revenue Service (IRS) recommends keeping records for three years; however tax records are often useful in divorce proceedings and other situations in which your financial history is relevant.
- All records that might be used as proof of ownership, such as deeds, mortgages, purchase agreements, and canceled checks (file these checks with the papers related to the transaction), because they may be needed for settling an estate or settling property disputes.
- Proof of debt repayment (including canceled checks).
- Insurance accident reports and claims.
- Retirement and pension records.
- Proof of date and price of purchase for all investments or other property that might be sold some day or transferred to heirs.
- Correspondence relating to legal and important matters.





Homewise is  
here to help!

[www.homewise.org](http://www.homewise.org)

If your goal is to buy a house, or if you are already a homeowner, remember Homewise is here to help you.

### HOMEWISER SERVICES

If your aim is to purchase a home, Homewise can provide you with educational and counseling services to help you do it right and make the process less stressful. We will teach you what to expect and what questions to ask so that you can make the best possible choices along the way. Our counseling process will provide you with a personalized action plan to guide you through the steps necessary to become ready to buy. We will stay by your side every step of the process.

*At Homewise we will help you:*

- get ready to buy a home
- find a home you can afford
- understand the home buying process so you can protect your interest
- finance your home with low-interest mortgage loans and financial assistance for part of your down payment and closing costs



### FITNESS TIP

For information on how Homewise can help you call us at 505.983.WISE (9473), or fill out a profile today on our website at [www.homewise.org](http://www.homewise.org).

## Want More?

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If you're looking for more ways to educate yourself on financial topics, there's a world of resource information out there and more popping up every day.

### FOR MORE INFORMATION, TRY ONE OF THESE WEBSITES

**[www.consumersunion.org](http://www.consumersunion.org)**

**[www.bankrate.com](http://www.bankrate.com)**

Offers ratings and other information on savings vehicles and financial institutions.

**[www.consumer.gov](http://www.consumer.gov)**

A one stop link to a broad range of federal information resources available online (includes information on identity theft).

**[www.mymoney.gov](http://www.mymoney.gov)**

The Federal Government's website for helping people understand more about how to save, invest and manage their money to meet personal goals.

**[www.jumpstart.org](http://www.jumpstart.org)**

The Jumpstart Coalition for Personal Literacy identifies finance materials for educational use and organizes them in a searchable clearinghouse.

**[www.money.msn.com](http://www.money.msn.com)**

A variety of articles on many different financial topics

**[www.fool.com](http://www.fool.com)**

Personal finance and investment advice

**[www.morningstar.com](http://www.morningstar.com)**

Information on stocks, mutual funds, and investing

**[www.smartaboutmoney.org](http://www.smartaboutmoney.org)**

Quick tips on budgeting, reducing debt, setting financial goals, and more

**[www.dailyworth.com](http://www.dailyworth.com)**

A community of women who talk money

**[www.learnvest.com](http://www.learnvest.com)**

Complete financial planning with personalized tools and information

**[www.napfa.org](http://www.napfa.org)**

Find a fee-based financial advisor near you

**[www.betterment.com](http://www.betterment.com)**

Web-based investment platform

**[www.cardtrak.com](http://www.cardtrak.com)**

Credit card comparisons

**[www.engagepublications.org](http://www.engagepublications.org)**

A local company offering financial worksheets, spreadsheets and money math basics.

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## WEBSITES FOR KIDS

### [www.kidsmoney.org](http://www.kidsmoney.org)

This is a site for parents, which includes links to books, articles, and games - all focused on teaching kids about money.

## BOOKS

*The Wall Street Journal Guide to Understanding Personal Finance*, Kenneth Morris and Virginia Morris, 2000.

*The Two-Income Trap: Why Middle-Class Mothers and Fathers are Going Broke*, Elizabeth Warren and Amelia Warren Tyagi, 2003.

*The Automatic Millionaire*, David Bach, 2004.

*Smart Couples Finish Rich*, David Bach, 2002.

*9 Steps to Financial Freedom: Practical and Spiritual Steps So You Can Stop Worrying*, Suze Orman, 2000.

*The Road to Wealth: A Comprehensive Guide to Your Money: Everything You Need to Know in Good and Bad Times*, Suze Orman, 2003.

*Your Money or Your Life - Transforming Your Relationship With Money and Achieving Financial Independence*, Joe Dominguez and Vicki Robin, 1992.

*The Millionaire Next Door*, Thomas Stanley and William Danko, 1996.

*The Circle of Simplicity*, Cecile Andrews, 1997.

*Our Money Ourselves - Redesigning Your Relationship with Money*, Drs. Diane Ealy and Kay Lesh, 1999.

*Get Financially Naked*, Manisha Thakor, 2010.

*Financial Intimacy: How to Create a Healthy Relationship with Your Money and Your Mate*, Jacquette M. Timmons, 2009.

*The Power of Habit: Why We Do What We Do in Life and Business*, Charles Duhigg, 2014.

## Federal Regulatory Agencies

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IF YOUR QUESTION OR COMPLAINT CONCERNS A FINANCIAL PRODUCT, SUCH AS A MORTGAGE, CREDIT CARD, BANK ACCOUNT OR SERVICE, VEHICLE LOAN, CONSUMER LOAN, OR STUDENT LOAN, CONTACT:

### Consumer Financial Protection Bureau

855-411-2372

Internet: [www.consumerfinance.gov](http://www.consumerfinance.gov)

IF YOUR QUESTION OR COMPLAINT CONCERNS A STATE CHARTERED BANK THAT IS NOT A MEMBER OF THE FEDERAL RESERVE SYSTEM, CONTACT:

### Federal Deposit Insurance Corporation

Division of Compliance and Consumer Affairs

877-ASK-FDIC (877-275-3342)

800-925-4618 (TDD)

Email: [consumer@fdic.gov](mailto:consumer@fdic.gov)

Internet: [www.fdic.gov](http://www.fdic.gov)

IF YOUR QUESTION OR COMPLAINT CONCERNS STATE BANKS THAT ARE MEMBERS OF THE FEDERAL RESERVE SYSTEM, CONTACT:

### Federal Reserve Consumer Help

888-851-1920

Internet: [www.federalreserveconsumerhelp.gov](http://www.federalreserveconsumerhelp.gov)

IF YOUR QUESTION OR COMPLAINT CONCERNS A NATIONALLY-CHARTERED BANK (NATIONAL OR N.A. WILL BE PART OF THE NAME), CONTACT:

### Office of the Comptroller of the Currency

800-613-6743

Internet: [www.occ.treas.gov](http://www.occ.treas.gov) or [www.helpwithmybank.gov](http://www.helpwithmybank.gov)

IF YOUR QUESTION OR COMPLAINT CONCERNS A FEDERAL SAVINGS AND LOAN (S&L) OR FEDERALLY-CHARTERED SAVING BANKS (FSBS), CONTACT:

### Office of Thrift Supervision

800-842-6929

Email: [consumer.complaint@ots.treas.gov](mailto:consumer.complaint@ots.treas.gov)

[www.ots.treas.gov](http://www.ots.treas.gov)

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IF YOUR QUESTION OR COMPLAINT CONCERNS A FEDERALLY-CHARTERED CREDIT UNION, CONTACT:

**National Credit Union Administration**  
800-775-1030  
Internet: [www.ncua.gov](http://www.ncua.gov) or [www.mycreditunion.gov](http://www.mycreditunion.gov)

FOR OTHER QUESTIONS AND COMPLAINTS, CONTACT THE FEDERAL TRADE COMMISSION (FTC). THE FTC CANNOT INTERVENE IN INDIVIDUAL DISPUTES, BUT THE INFORMATION YOU PROVIDE MAY INDICATE A PATTERN OF POSSIBLE LAW VIOLATIONS THAT REQUIRE ACTION.

**Federal Trade Commission**  
877-FTC-HELP (877-382-4357)  
Email: [consumerline@ftc.gov](mailto:consumerline@ftc.gov)  
Internet: [www.ftc.gov](http://www.ftc.gov)

FOR FAIR HOUSING COMPLAINTS, CONTACT:

**Department of Housing and Urban Development (HUD)**  
800-669-9777  
Internet: [www.hud.gov/complaints](http://www.hud.gov/complaints)

COMPLAINTS AGAINST ALL KINDS OF CREDITORS CAN BE REFERRED TO:

**Department of Justice**  
Civil Rights Division  
202-514-3301  
Internet: [www.usdoj.gov/crt/](http://www.usdoj.gov/crt/)