TN Department of Financial Institutions

SPOTLIGHT ON FINANCE

AMERICA SAVES WEEK

America Saves Week 2021

America Saves Week is scheduled for February 22-26, 2021. You're probably questioning, "What is America Saves Week"?

America Saves is a non-profit initiative of the Consumer Federation of America. America Saves started America Saves Week in 2007 as an annual celebration, along with a call to action, for every American to commit to a successful savings plan.

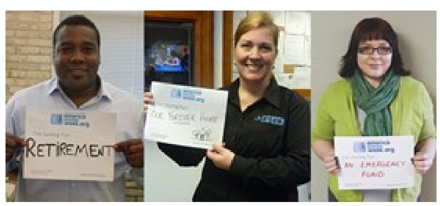
This event, typically held during the last week of February and/or first week of March each year, joins thou-sands of non-profit, educational insti-tutions, government agencies, finan-cial institutions and corporate organizations in a partnership with America Saves to support saving money, reducing debt, building wealth and creating better financial habits.

These efforts are conducted through local, statewide, regional and national campaigns that occur during America Saves Week, with some continuing throughout the year.

As we're getting started with a New Year, this may be a great time to set savings goals for both the short term and long term to help you achieve better financial stability.

You can take the America Saves Pledge by visiting: https://americasaves.org/for-savers/pledge

During America Saves Week, the topics that will be addressed are short-term and long-term savings goals, along with some strategies to consider for saving successfully.



The top savings goals from the 2020 America Saves Week campaign were 1) establishing an emergency savings fund, 2) saving for vacation or a special event and 3) retirement.

America Saves Week can also be used to start a family conversation regarding savings, which may work to help instill positive financial behaviors for the entire family.

The best thing about America Saves Week is that it is open for anyone to participate!

You can find savings resources for your use at: https://americasaves.org/for-savers/savings-tools-and-resources

Strategies for Reducing Debt and Increasing Savings

Debt can impact your ability to save! So, let's look at ways to reduce or get rid of that debt, free up some income, and start saving.

Create a Plan of Action

Determine exactly how much you owe by calculating your total debt to create a realistic plan of action. Start by calculating your monthly expenses, including, for example, your rent or mortgage, car expenses, utility bills, food, and miscellaneous expenses, as well as the minimum payment for each of your debt obligations such as credit cards and credit accounts with retailers.

Specifically, on debt obligations, create a list that includes your creditor's name, the total amount of the debt, the minimum payment required, and the monthly due date to help you stay organized. Next, tally it up and subtract your debt from your total monthly net income, or after-tax income.

Then, with these calculations, create a budget and determine how much you can save. As you're creating that budget, include a line for a savings deposits and continue to work toward your savings goals while you pay down your debt.

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Strategies for Reducing Debt...*(continued from page 1)*

Cut or Lower Monthly Expenses

Look for ways to free up money to put toward debt reduction and, in turn, toward savings. It may be easier than you think:

- √ Cancel or reduce automatic subscriptions and memberships: If you are paying for multiple streaming services for movies, tv shows or music, gym memberships, and trendy subscription boxes, then it's time to cancel any you don't use regularly. If you do decide to keep a few around, think about sharing memberships with family or friends if sharing is permitted. That way, everyone wins and saves! Be sure to turn off automatic renewals when you make a purchase. You can always subscribe again if it fits into your new and improved budget.
- √ Cut down on groceries: It's so easy to walk through those grocery store aisles, grabbing a bag of cookies here, extra bags of chips there, and then top it off with the fun goodies at the register. But those little purchases (aka budget busters or impulse buys) add up quickly and can end up blowing your budget every single month. Plan out your meals and check your pantry to see what you already have *before* you head to the store.
- √ Check your insurance rates: Did you know people save an average of $700 a year when they routinely shop around for insurance? It's worth the look around if better rates are available from other insurance companies. At a minimum, you should review your existing policies with your insurance regularly to make sure you are paying for the appropriate levels of coverage.
- √ Ask about discounts and pay in cash: You never know until you ask, and you should always ask. Whether you're getting movie tickets, going to a museum or sporting event, check to see if they have any special discounts for seniors, students, teachers, military or AAA members. If not, never underestimate the negotiating power of cash! Many businesses may offer lower prices if you pay in cash instead of using a card.
- √ Reduce energy costs: You can save money on your monthly utility bills just by making a few tweaks at your home. Some simple things like taking shorter showers, fixing a dripping faucet, washing your clothes in cold tap water, and installing dimmer switches and LED lightbulbs can result in reduced energy and water usage meaning smaller utility bills.
- √ Did you know you can lower your cell phone bill with these few tips? Use Wi-Fi when you can and you're in a cyber-secure safe environment, limit your background data use, and review your insurance options. Insurance premiums can add anywhere from $7 to $36 per month to your bill, which is $84 to $432 extra a year just for the insurance. As with other insurance, you can shop around. In addition to plans available through your cell phone carrier, cell phone manufacturers and insurance companies offer coverage for cell phones. Also, consider signing up for automated payments or paperless billing-by not opting for these options you may incur extra charges per month which can add up over a year. Look at no-contract phones and keep your phone longer.

Debt Reduction Strategies:

Selecting a debt-reduction strategy helps you to plan who gets paid first, second, third, and more. Here are examples of strategies to consider:

1. Annual Percentage Rate: Even as you curb your spending, sometimes your bills mount because of astronomical interest rates. Often you may feel as if you're paying off three times more than you borrowed in the first place.

Under this strategy, you first pay back the creditor that charges you the highest annual percentage rate (APR)on the money you've borrowed, while paying the minimum monthly payments to other creditors. Once you've crushed the highest APR, you move on to the next highest rate which allows all the payments to shift to priority number two.

2. Quick Elimination Debt Reduction: This strategy makes the debts that are easiest to pay off your top priority, meaning the debt with the lowest number of payments remaining comes first.

3. Lowest Balance First: The lowest balance first strategy prioritizes your debts based on which one has the lowest balance. Wipe away those nagging little debts and then focus fully on the larger ones.

4. Highest Balance First: If you have one or two large debts that are challenging, you may need to whittle these debts down and see some success. Prioritize your debts with the highest balance first and watch that towering debt melt away.

5. Lowest Payment First: If you are being hounded by multiple creditors for money, this strategy might help you to keep the greatest number of creditors off your back even in the most difficult financial times.

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Strategies for Reducing Debt...*(continued from page 2)*

6. Highest Payment First: Your debt with the highest monthly payment may be most critical to you. After all, this could be your mortgage-your largest investment, and the roof over your head. Select this strategy to prioritize your debts with the highest monthly payments and protect what's most important to you.

Remember, create an action plan by calculating your monthly expenses in comparison to your monthly income. Next make a budget to see where you can cut or lower monthly expenses. Finally, choose a debt-reduction strategy that is tailored to your needs which allows you to eliminate debt while saving at the save time.

Source: ***https://americasaves.org/resource-center/insights/5-easy-steps-to-tackle-your-debt-while-saving/***

Laying the Foundation: Sav-ings Tips

Are you struggling to build that nest egg? Maybe you are not even certain where to start. You are not alone. Most people have difficulties with money management at some time. When money is tight and you are just trying to get by, saving any amount can be a low priority. But, it's never too late to start laying the founda-tion toward achieving financial stability. And, regardless of your income, you can still save money and work toward a brighter future.

Here are some tips to help you start: **Reduce Expenses and Debt:** Acknowledge overspending. Distinguish between wants and needs. Consider a smaller apartment or residence which may reduce your rental payment or monthly mortgage; eliminate duplicative utility expenses, such as those associated with having both a landline and mobile phone service; think about that daily trip for coffee that can add up over the course of a month; look for ways to reduce your food expenses, for instance, by growing your own vegetables; reduce entertainment expenses by checking out books through your public library system or taking advantage of online resources that may be provided by your public library system; ask yourself whether you can justify purchases on a credit card once you add in how long it might take you to pay off the debt, interest rates and annual fees; or look for checking accounts that don't charge fees for maintaining a minimum balance.

Create a Budget: Create a list of your expenses and debts and when each is usually due. Include in your budget fixed expenses (those that are the same every month, such as house payments or rent); flexible expenses, which vary from month to month, such as utilities and income available to pay your expenses. Use this budget to help you determine where you can cut back. Remember, budgeting is not a one-time process; it is ongoing and will change as your financial situation changes.

Set Reasonable Savings Goals: Don't set yourself up to fail. Everyone stumbles. Develop short-term savings goals, which are generally achievable within 1 year. For example, set a goal to save $500 in three (3) months to purchase tires for your vehicle. Long-term savings goals should generally be achievable in 5 to 7 years. An example of a long-term savings goal is to save $15,000 in five (5) years towards the down payment on a house. An unreasonable savings goal is to save $10,000 in six (6) weeks. Don't worry about someone else's budget and goals because this is your plan to success.

Determine What You May Need to Save: Set up an emergency fund-the general rule of thumb is to have three (3) to six (6) months of living expenses in an easy to access account.

Consider Options for Savings: Once comfortable with plans and goals, think about whether you may want to diversify savings through various options which may include, but are not limited to:

Savings accounts: Generally, requires a small initial deposit and money can be withdrawn whenever necessary. Ideal for the unexpected such as job loss, home and car repairs, etc.

Money market savings accounts: If you can initially invest a larger amount of money, you may want to consider this option. These accounts generally offer easy access, higher interest rates and some may even offer the possibility of a cash bonus based on your account balance.

Certificates of Deposit: In a CD the bank holds your money for a specific time, ranging from a few weeks to several years. CDs are low risk investments, but usually can't be touched, for a specified time period, without incurring a financial penalty.

There are numerous ways to save. The main thing for you to keep in mind is: Just start!

Have a Saving Mindset: Achieving financial stability won't be easy, but don't give up. Stick with it and develop a mindset that focuses on improving your life. Understand that this may seem like a long and hard process, but in considering acting on these steps and others, you are laying the foundation for your future financial security.

Sources: https://moneyning.com/motivation/5-tips-for-saving-money-when-you-have-low-income/

Tools for Saving

Saving money can be, at times, challenging. However, there are certainly tools available that might help you make the process of saving and building your savings easier. Consider the following examples:

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Tools for Saving...*(continued from page 4)*

Use Direct Deposit

If your employer offers direct deposit for payroll payments, check with your employer on whether they allow employees to arrange direct deposits to multiple accounts. If so, consider directing a portion of your paycheck to a savings account each pay period.

By using this approach, that portion of your paycheck is being automatically deposited into a savings account, and you aren't using that amount in determining your budget.

Save Automatically

Closely related to direct deposits through your employer is the use of automatic transfers that you may set up directly with your financial institution.

For example, if your employer pays you bi-weekly, you can request that your bank or credit union set up automatic transfers after your employer payroll deposit is deposited into your checking account.

To start, you can request that a small amount of the payroll deposit be transferred automatically every other week to match your employer pay cycles. Then, as you monitor your budget, you can adjust the amount designated for automatic transfer to increase your savings.

Using Savings Apps.

You may also consider researching personal finance apps that include savings options that may assist you in developing effective savings strategies.

Note that, because these apps may often involve placing savings into investment styled accounts, you should consult with an appropriate financial professional or investment advisor on determining what type of investments may be right for you. You can search for an investment advisor at: https://brokercheck.finra.org/

Saving through a 401K

Another tool that may be available for building your savings is an employer offered 401K or retirement savings account.

401K accounts are attractive because the contributions made to the account are tax deferred, meaning the funds deposited into the account are not taxed, until they are withdrawn.

For instance, if you deposit $1000 into a 401K account, you're credited for the full $1000 amount.

This reduces your taxable income since the withdrawals for deposit into the 401K account are taken pre-tax. Therefore, for the $1000 deposit into your 401K account, you'd take home $850 or less in your paycheck, depending on the income tax bracket that your income level may place you.

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Another feature to consider about a 401K that can add to your savings is that some employers offer some level of matching on employees' contributions into their 401Ks-from a dollar to dollar match, up to a certain threshold limit, to a specified percentage of an employee's salary each pay period. Check with your employer on what sort of matching may be offered.

Be advised that you should consult the appropriate financial professional, or tax advisor, if you have questions about 401K accounts and whether they are the appropriate savings tool for you.

The Hard Part

Even with these and other tools that may be available to help make saving easier, the hardest part is still not using what you've built up in your savings account.

No doubt, it's tempting to dip into that savings when the latest gaming device hits the market, you need a weekend trip to get away from a tough work week, or you simply want to surprise a special someone with an unexpected and extravagant gift.

If you've set specific savings goals, reminding yourself of those goals can help you resist dipping into your savings.

The payoff for having persistence and patience in letting your savings grow is a greater peace of mind and financial well-being. Information for this article was obtained in part from: https://www.thepennyhoarder.com/save-money/easy-ways-to-save-money-automation/

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