

## Retirement Savings

You'll need 70% or more of your pre-retirement income for your Golden Years, and Social Security cannot be relied upon to provide the entire amount. It's never too early to start saving for retirement.

- If your employer offers a 401(k) plan, contribute as much as you can. If your employer matches a percentage of your contributions, make every effort to contribute the maximum amount that will be matched.
- Open an IRA (Individual Retirement Account) and contribute regularly. Your credit union can help you choose which type of IRA is right for your circumstances. With a traditional IRA, you pay no taxes until you withdraw the money during retirement (when you may be in a lower tax bracket), and with a Roth IRA, you pay taxes on your contributions up front.

## It's Your Money – Use It Wisely

With practice and discipline, you will find that it is possible to build a healthy savings account by following the steps outlined here. Best of all, you'll have the peace of mind that comes from knowing you have managed your money wisely and are well prepared to handle all that the future holds.



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Presented by the National Association of Federal Credit Unions, an independent trade association representing federally chartered credit unions nationwide.

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SF2-508

# BASICS OF SAVING



Financial Literacy Series

As you look at your financial situation, here are some important questions to ask yourself:

- **Do I have enough money to cover all my expenses for 3-6 months in the event that I lose my job?**
- **Would I be able to pay today for an unexpected car repair, doctor bill or a similar unanticipated expense?**
- **As I consider my life goals – education, marriage, children, home ownership, etc. – do I have a plan in place to fund expenses related to those dreams?**
- **Do I have any money available to set aside for retirement?**

Did you answer “no” to one or more of these questions? Experts say most of us do not save enough money, and the rate of saving in America is in fact declining. Although it’s too often neglected, saving is an extremely important part of personal financial management. With a savings plan in place, you’ll be able to face the future with confidence, knowing that you are able to meet your goals and handle any unforeseen expenses.

## **The First Step: Develop A Budget**

Start by looking at what you’re spending. Make a list of all your monthly expenses. Include everything – from utility bills to food to movie tickets – down to your daily cup of coffee from the deli. If it helps you, carry a small notebook for a week or so to jot down every time you spend money. Add up all your expenses and subtract the total from your monthly income. Got any funds left over? Great! You’re ready to start saving.

If you have little or no money left over, it’s time to give your spending a hard look. Identify areas where you can cut back, and make sure you keep track of your savings. The goal is to develop a written plan of spending and saving that you can stick with.

## **Pay Yourself First**

One of the main reasons people get into financial trouble is that they forget to make their most important payment – a regular payment to their savings account. Make it a priority to save a portion of all the money you receive. This payment to yourself is every bit as important as your other bills. If you do this regularly, you will soon have the financial reserves to make investments and you’ll have an important financial cushion.

## **Savings Tips**

After developing a budget, identifying where you can find some extra money to save, and adopting the practice of paying yourself first, there are additional steps you can take to increase your savings:

- To jump-start your savings, after you pay off an installment loan, just continue to place the same monthly payment amount in your savings account. For example, if your car payment was \$250 a month for 48 months, continuing to place this amount in a savings account for four years with a 5% annual percentage yield will give you about \$13,254.
- A painless way to save is to set up an automatic savings plan with your credit union. The money will be automatically placed in the account and require less discipline on your part.
- Once you get into the savings habit, make sure your money is working for you. Choose carefully among the wide variety of savings account options available. Your credit union can help you examine all the alternatives and identify one or more that will fit your needs.