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Emergency savings: a key to financial security

NEILLSVILLE [YOUR TOWN], Wis.—What protects your assets and creates financial security? Emergency savings accounts! When you have an emergency savings account you have immediate access to money when “Life Happens.” Unexpected expenses can create new debt or threaten your financial security. The best way to build financial security is to have layers of savings -- the first layer being your emergency savings, says Gayle Rose Martinez, Clark County University of Wisconsin-Extension Family Living Educator [YOUR NAME, TITLE, COUNTY].

Emergency savings is money set aside that you can access quickly if needed without concern of losing principle or interest. Usually this kind of savings is put into a regular savings account in a financial institution or at home in envelopes, jars or piggy banks. Set a specific goal for yourself defining the amount of money you would like to have in your emergency savings. This will differ from person to person depending on their risk tolerance, financial obligations, and their ability to keep money in savings.

For some people saving money is never easy -- in fact, it's hard work. Actually, it is not saving that is hard, but that spending is so easy! As consumers we are bombarded everyday with temptations and it is hard to say no. Sometimes, spending money (whether on yourself or others) is considered a sign of well-being in our culture. And put simply, spending money makes us feel good. It can be difficult to see the immediate results of saving, whereas buying something is instantly gratifying.

There are many hurdles to saving money -- but all of these can be overcome, Martinez [YOUR NAME] says. When you start saving, you will begin to reach your financial goals. The first step to saving money is to develop a specific savings goal that would increase your level of financial security in case of an emergency expense.

The Consumer Federation of America discovered people are two times more likely to be successful savers if they have a specific goal. Savings for emergencies is a goal all Americans need to take seriously. If you are a spender and find it difficult to save, identify a way to celebrate reaching your goals to reinforce the positive feeling of success.

Should I save my money or pay off my debt? The answer is both. Savings will decrease the need to create new debt when unexpected financial expenses occur. Debt must also be repaid to build a good credit rating and decrease the amount of interest you are paying on your debt.

How can I save money when I hardly have a dime? When it comes to savings, saving a little on a regular basis gives rewards. Look at your weekly expenditures and see if there is a way you can do life a little differently to create extra money to save. For example:

- Buy generic or larger quantities, save \$5 every two weeks = \$130 a year
- Pay bills on time to avoid late charges, save \$10 a month = \$120 a year
- Substitute one can of soda a day for a glass of water, save 75¢ a day = \$273.75 a year
- Bring your lunch to work two times a week, save \$6 a week = \$312 a year

By saving \$50 a month, just a little more than a dollar a day, you can have \$614 saved in a year. In five years, there will be \$3,400; in 10 years, it's \$7,764; and in 25 years that account will be worth \$29,775.

If saving is difficult, find fun ways to trick yourself into saving money. Martinez [YOUR NAME] offers these recommendations:

Think of your emergency savings as another one of your monthly expenses -- when you pay bills, write a check to your savings account.

Save your change in a jar. Decorate the jar; make it a fun activity to add money to the jar.

Have money taken right out of your paycheck and automatically put into a savings account. Not seeing the money helps it stay put and grow.

Open a no fee savings account in a different location than your checking account. This makes it harder to transfer balances out of savings.

Save all unexpected income, such as gifts, rebate money, tax returns, bonuses, etc.

Take advantage of pre-tax payroll deductions, such as a 401(k) plan.

When deciding how much to save, think of how many cents a day, or dollars a week you will need to save.

If you still feel like you can't afford the monthly saving amount, try increasing the time you will have to save -- for example, put off buying a new bed another three months.

Another reward for building a savings account is that by putting money into it on a regular basis you will build good credit on your credit report. It can also be an asset when trying to apply for a loan.

As saving behavior becomes comfortable, set a goal to have enough money in your emergency savings to pay all your expenses for three to six months. Emergency savings buys you time and security if your income shifts unexpectedly. To continue to build wealth and security consider building other layers of savings, such as short and long term saving plans. This type of saving means using other financial products such as certificates of deposit, securities and other types of investments.

To build wealth and security, start your first layer of savings -- an emergency savings plan -- today. To learn more, visit the America Saves web site at www.americasaves.org and

www.choosetosave.org. For more information on family financial management, contact your county UW-Extension office [LOCAL CONTACT INFORMATION].

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