

# Saving Successfully

Megan Stearns, Credit Counselor



**PURDUE FEDERAL**  
CREDIT UNION

# Agenda

- Getting started with saving
- Financial goals
- Periodic expenses and emergency funds
- Saving guidelines
- Saving for retirement
- Saving money on interest
- Saving with technology

# Getting started with saving

- Pay yourself first!
  - Most people spend their money in the following order: bills, fun, savings
  - Spend in this order: savings, bills, fun
- Make saving a priority, not an afterthought!
- Incorporate saving into your monthly budget!
- Plan and be deliberate with your saving!

# Getting started with saving

- Start out small
  - Start with 1% of your income then slowly increase
    - Only a penny out of every dollar!
- Set aside your raise
  - After you have maximized your retirement savings and obtained your emergency fund, the you can use your raises for yourself again

# Getting started with saving

- Make your savings automated
  - Payroll deductions directly to your savings account
  - Auto-transfers to a savings account with each paycheck or on a monthly basis

# Saving by setting SMART financial goals

- **Specific**
- **Measurable**
- **Achievable**
- **Relevant**
- **Time-bound**



# SMART Goal Example

- I want to save \$5,000 for a down payment on a new car in the next year
- I need to save \$417/ month for the next 12 months to meet this goal

# SMART Goal Example

- Specific?
  - Is there a detailed plan?
- Measurable?
  - Do I know how much I need to save each month?
- Achievable?
  - Does it fit in my budget?
- Relevant?
  - Should I be doing something else with the money?
- Time-bound?
  - Do I have a deadline?



# Three types of goals

- Short-term goals
  - Within the next 6 months to 1 year
- Intermediate-term goals
  - Within the next 1 to 5 years
- Long-term goals
  - More than 5 years away

# Three types of goals

- Know the difference
  - Budget for short-term goals
  - Save for intermediate-term goals
  - Invest for long-term goals



# Save for periodic expenses

- Set up a savings account especially for periodic expenses
  - Insurance premiums, license plate fees
  - Christmas club account
  - Vacation account
- Set up auto-transfers for the smaller monthly amount you need to contribute to these accounts

# Set up an emergency fund

- Emergency fund
  - This fund allows quick access to cash for emergencies
  - Helps you avoid adding more debt



# Set up an emergency fund

- How much is enough emergency savings?
  - Depends!
    - At least \$1,000
    - Once high-interest debts are paid you can build three to six months of expenses
  - How much cushion do you need?
  - What type of career do you have?
  - All other savings needs to go to a higher yield account

# Set up an emergency fund

- Use your emergency fund for unexpected expenses that are truly needs
  - Car repairs, unexpected medical bills
  - Not for dining out, a shopping spree or wants

# Saving guidelines

- 50/20/30 rule for budgeting
  - 50% for necessities or essentials
    - Housing and food
  - **20% for saving or financial goals**
    - **Saving for a car, a down payment on a house, an emergency fund**
  - 30% for lifestyle choices
    - Dining out, premium cable, entertainment
  - Calculate your percentages using net pay

# Saving guidelines

- Is there a cap on the amount I should be saving?
  - NO!
  - 20% is the suggested minimum
  - Can you ever be too wealthy or have too much to give?



# Saving for retirement

- Start now!
  - Compound interest is powerful!
- Optimize your employer match if offered
  - If you don't take full advantage of the match you are leaving free money on the table!
- 15% of your gross income
  - If you save 5% and your employer matches 5%, you're already at 10%!

# Saving money on interest

- Save money by paying off debts faster
- Make a plan to make extra payments on debts to save on future interest charges
- Pay off credit cards in full each month to avoid interest charges or increasing your debt load

# Saving with technology

- When ordering online, search for coupon codes or look for extra cash back offers from your credit card
- Use your financial institutions online bill pay
- Use an online site or app to keep your budget on track
- Download the mobile apps for your favorite stores

# Questions?



**VOTED BEST**  
★ Since 2009 ★  
*as voted by Lafayette Journal & Courier readers*

# Megan Stearns

Email: [mstearns@purdufed.com](mailto:mstearns@purdufed.com)

Phone: 765.497.7455

Website: [PURDUEFED.COM](http://PURDUEFED.COM)