

SAVE MORE, SPEND LESS

WHY SAVE FOR A DOWN PAYMENT?

If you can pay any money upfront when you purchase a car or house, you can have a smaller loan and pay less each month. That money is called a “down payment,” and it goes directly towards the cost of the new house or car, so you’ll also pay less interest in the long run. Most mortgages and many car loans will require an upfront payment of between 10% and 20% of the purchase price.

Why Save?

- **For security**, in case you lose your job. That way you can continue to make your minimum payments and avoid late payment fees and other penalty charges.
- **For a down payment** for a new house or car (typically you will get better pricing on loans when you make a bigger down payment).
- **To pay for your children’s college tuition.**
- **For retirement.**

It may be hard to imagine saving money, but take a look at how quickly putting aside just \$10 a week can add up:

Consider this: setting aside \$20 each week, can add up to over \$1,000 in one year!

Types of Savings

There are different types of savings tools, depending on how much time you have to save and what you’re saving for. In general, when

you will need the money soon, you want to have the least risky way to save, so it is wise to put the money in short-term savings accounts, rather than investing it. This often means that the interest you earn will be lower, but your savings generally won’t lose value. Here are some types of financial accounts people use to save:

Short Term Savings—When you think you will need to use the money in the next few years. You can open these accounts at local banks, credit unions or online.

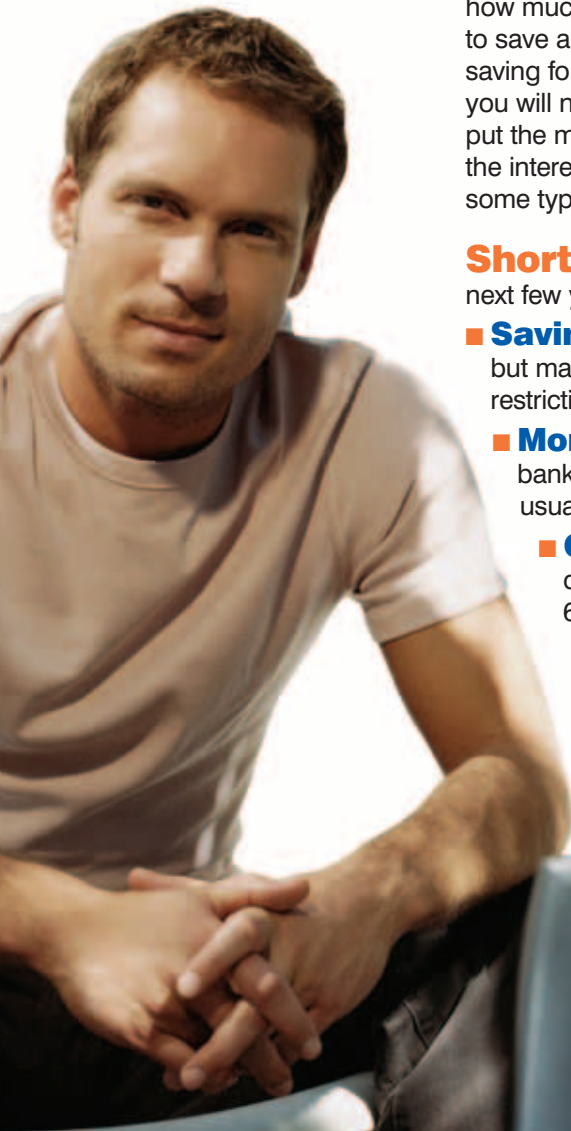
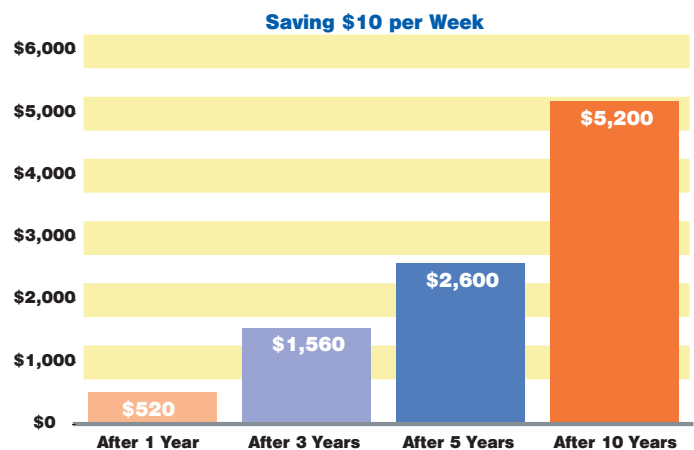
■ **Savings Accounts:** These bank accounts usually pay interest on your deposits, but may have limits on the number withdrawals per month or other restrictions.

■ **Money Market Deposit Accounts:** These accounts, offered by many banks, generally pay a higher interest rate than savings accounts, but usually require that you keep a minimum balance.

■ **Certificates of Deposit (CDs):** A savings tool in which the saver deposits a certain amount of money for a fixed time period (like 3 months, 6 months, 1 year, 3 years, etc.). CDs usually offer higher interest rates than ordinary savings accounts, but have penalties if you try to withdraw the money before the end of the fixed time period.

Saving For College—Money set aside for children’s education.

■ **529 Plans:** Savings plans, often sponsored by governments or universities, which offer tax benefits when you set aside money to be used for higher education. You can get more information about 529 plans at www.savingforcollege.com.



Retirement Savings—Money you don't plan to use until you retire

- **401K Plans:** A retirement savings plans in which employees contribute a portion of their income, before taxes, to an investment or savings account. Investment accounts have risk, meaning you could earn money, but you could also lose the money you put in. The employee doesn't pay taxes on the income until it is withdrawn at retirement. You need to set up this account through your employer, but not all employers offer 401K plans. The manager of the account your employer offers can give you advice on the types of investments that are right for you.
- **Individual Retirement Account (IRA):** IRAs are personal retirement accounts, usually not created through your employer.
 - With "Traditional" IRAs, the amount you contribute is not taxed in the year you contribute it. You pay taxes on withdrawals when you use the money after retirement.
 - With "Roth" IRAs, you pay taxes on the funds you contribute at the time you contribute, but when you withdraw the money after retirement, you do not pay taxes. You can set up this type of account yourself.

For information on how these types of retirement accounts work and on setting up an IRA, visit Motley Fool's website at: www.fool.com/ira.

Smart Shopping



Saving money also means shopping smart. Here are some ways to become a wise shopper:

- Clip those coupons! Check your local Sunday newspaper for coupons and keep them handy when you go to the grocery store. But make sure you use them only on the things you need!
- Remember, you haven't "saved" any money if you buy something you don't need, even if it's on sale. Focus on what you need and what is in the budget.
- Comparison shopping is smart shopping. Make a note of the prices at the stores you shop in, and buy smart, especially on major purchases. Don't forget that if a purchase has a rebate, you need to remember to mail it in. It may take 4–6 weeks or more to get your money back. For grocery stores, try store brands which are often just as good as national brands, but cheaper.
 - If you have internet access, check prices online. Look for online stores with names you know and ask your friends and neighbors for recommendations if you haven't shopped online before. When you're comparing prices, make sure you add in the cost of shipping and handling.



INSIDER TIPS

- You may be spending \$1.00 a day on vending machines—\$30 per month! Your goal may be to reduce that to \$10 a month. How can you do that? Bring snacks from home, or put all your change in a jar, so you don't have it with you to spend in vending machines. You may even be able to increase your credit card payments to reduce your balances with the money you save just on snacks.
- Wait to buy a new car—even if you often have repair bills, they may not add up to the costs of a new car (higher insurance, down payment, car note, etc.).

INSIDER TIPS

- Save money each month by saving all the dollar bills you receive as change when you pay with a larger (\$20 or \$10) bill.
- Save all the small change you get too—those nickels can really start to add up!
- Every time you eat out (lunch, dinner, or even a snack at McDonald's), put a dollar bill in your savings jar.