

Let's Talk Finances

Saving for Your Future: Questions to Consider Now



By Charles Schmalz
President of
East Wisconsin Savings Bank

Finding money to add to your savings account can seem difficult, but there are some strategies that can make it easier. Start by asking yourself these questions.

Do I have savings goals? Knowing how much you want to save and why can help you stick to a plan. For example, if you have a young child, ask yourself if you plan to help pay for college. Research indicates that children who have a college savings fund are more likely to go to college than those who don't. Start by looking at "529 plans" sponsored by your state (typically with cost and tax benefits for residents) and compare them to other 529 plan options.

How can I spend less? Review how much you spent in the last month and consider ways to cut back. "Start by reviewing recurring expenses – even small ones – and determine what you might be able to cut out, downgrade, or find a better deal on elsewhere," said Luke W. Reynolds, Chief of the FDIC's Outreach and Program Development Section.

Also try to pay less in interest. For example, if you have multiple loans, pay off the ones with the highest interest rates first. And, regularly reviewing your credit report and correcting errors can result in considerable savings on loans and insurance policies.

Do I have an emergency savings fund? Financial experts generally recommend that you have at least six months of living expenses in a federally insured product, such as a savings account or a certificate of deposit (CD). The idea is to help you withstand a major reduction in income, such as from a job loss, or to pay for a major, unexpected home or car repair. To build your "rainy day fund," consider setting up regular, automated deposits and saving at least a portion of any "windfalls" you receive, perhaps from a tax refund or a bonus at work.

Am I saving money on a regular basis? "Automatic transfers into savings on a set schedule can help you save money before you spend it," said Bobbie Gray, an FDIC Supervisory Community Affairs Specialist.

How much investment risk am I willing to take? Investments such as stocks, bonds and mutual funds can produce higher returns than bank deposits over many years, but you could also lose some or all of that money. In general, the longer you plan to keep money invested and the greater your tolerance for volatility, the more likely it is that these types of investments can help you reach your targets.

Am I saving enough for retirement? For many, the answer is "no" even when they think it is "yes." Options to save include workplace retirement plans and Individual Retirement Accounts (IRAs) offered by many banks and investment companies.

"Many working people can save considerably on their taxes through qualified retirement savings. And, if your employer offers a retirement savings program of any kind, find out whether it will match your investment contributions, and then don't lose out on any matches," Reynolds added.

To learn more about ways to save, see resources from more than 20 federal agencies, including the FDIC, at www.mymoney.gov.