

Saving Made Easy – You can be a millionaire

Target audience: ages 18 – 23

My name is and I am with America Saves, a national campaign that encourages people to save money, reduce debt and build wealth. It is an effort that has people commit to themselves that they will save money or reduce debt with support, encouragement and motivation. Presently we have almost 80,000 people who have committed themselves to a savings goal, created a simple plan to achieve that goal and have followed through by opening up an account or adding to an existing account.

Why do you think Americans are doing this?

National savings rate has hovered between -1% and 1% for the past 6 years, the lowest numbers since the depression. The difference in spending patterns between now and then is that back during the 1930's people just spent money to survive, just buying food and necessary items. Today it's about buying 'stuff' and living beyond our means. What does the phrase 'living beyond our means' suggest? According to a spokesperson from the Federal Reserve Bank, *40% of Americans spend 110% of their income!*

The savings rate in Europe is around 7%, Japan 11% and China 40%.

Now, the questions I want to focus in on today –

- ? how many of you want to be a millionaire? Why? – Why not?
- ? How many of you know *how* to become a millionaire?
- ? Who are the millionaires in this country? Use examples.
- ? What kind of car do they drive?
- ? What kind of home do they have?
- ? Married?
- ? How do they do it?

3 Golden Rules:

- Spend less than you earn and save the difference
- Have a plan
- Make it automatic

Let's take an example of \$3,500 a year invested into an IRA
(Write out on Flip Chart or Board; have them guess at the numbers as you go along.)

<u>Percent</u>	<u>10 years</u>	<u>20 years</u>	<u>30 years</u>	<u>40 years</u>
4%	\$42,948	\$106,976	\$202,431	\$344,739
6%	\$42,798	\$134,762	\$292,984	\$580,851
8%	\$53,359	\$171,798	\$434,688	\$1,018,211

\$3500 divided by 12 months = \$290. \$290 divided by 2 = \$145 a pay

So the best way this works is having it be automatic, taken right out of your check, you never see it, until your statements come.

America Saves

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► So the challenge for all of us is to *make a commitment* and actually *do it*, on a regular basis and make it automatic.

What prevents us from doing that?

Shopping is an expression of you. And for many of us it's fun. So why not make it more fun? I want to focus on 2 expressions: "Why pay retail"? and "Time is Money".

Why pay retail when you can go to stores like TJ Maxx, Marshalls, ... and buy the clothes and things you want for less. And when they go on sale for even less. You may have to go more often to find what you want, that's where the "time is money" comes in. Take more of your time and save more of your money. What other ways can you save money by spending time?

So we are not telling you not to spend – just be smart about it so you can save and build wealth. To do that you have to

- 1) Have some money you can save, so be a smart shopper and save some.
- 2) Act – make that commitment to yourself, set it up so it's automatic and within one year you will be amazed at how much you will have saved.
- 3) Don't give in to the over use of credit cards.

Who can tell me how credit cards work? What happens if you pay just the minimum amount each month? What happens if you are late or miss a payment?

The FAIR ISAAC Corp.

<u>Credit rating</u>	<u>Risk to Credit Lender</u>
• 780 – 850	low risk
• 740 – 780	med low risk
• 690 – 740	med risk
• 620 – 690	med high risk
• 620 and below	high risk or subprime

Let's see how much money it will cost you if you get bad credit and calculate if it's worth that impulse of a buying spree.

A. Person with Low Credit rating: A person wants to buy a \$125,000 house; he has low credit so he is offered a 30 year mortgage at 12%.

His monthly payment (P&I) is \$1,285 plus taxes and insurance

Over 30 years just the P&I amounts to \$462,875

B. Person with High Credit rating: Another person wants to buy the house next door for \$125,000. She has high credit and is offered a 30 year mortgage at 7%.

Her monthly payment (P&I) is \$831 plus taxes and insurance.

Over 30 years the payments amount to \$299,386.

Difference

Low credit Person \$1,285/mo	cost over 30 years>	\$462,875
<u>High credit Person \$ 831/mo</u>	cost over 30 years>	<u>-\$299,386</u>
Potential Savings \$ 454/mo	savings over 30 years>	\$163,489

Imagine what you could have done with an extra \$454 a month, and certainly \$163,489.

Now let's look at the brochure to talk about how you can become an America Saver. Complete the enrollment form on the back of the brochure:

- Identify a savings goal – car, bike, cd's, phone, vacation - anything
- The amount you could save every week or month
- Where you will save it – in a bank or credit union
- How long you need to save to achieve your goal
- Name, address, phone and email
-

What benefits are available? (from brochure)

Cost? FREE! Your only requirement is to set a specific savings goal, select a type of account, make a deposit in this account each month (or make a debt payment), and let us know that you are working toward your savings goal.

Who controls my account? You do. You open the account at your own bank or credit union. We only coach and encourage. We do not have access to your account in any way.