

TRAIN THE TRAINER: Financial Education

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Webinar #6: Needs, Wants and Finding Money to Save

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Facilitator:

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Training Goals

- Discuss spending in relation to your values
- Define needs versus wants
- Describe saving and finding money to save

Spending and Your Values

- How you spend money is guided by your values
- If you value generosity to charitable organizations then making donations will be a part of your spending plan
- If home ownership is a priority then a savings goal will be for down payment and closing costs
- Each person is different – it is important to reflect on your values as you set up your spending plan and savings goals

Needs vs. Wants

- Before making a spending decision ask yourself, “is this a need or a want?”
- Then ask yourself, “compared to [insert savings goal here], which is the best use of my money?”
- It isn't bad to spend money on a want ... as long as you have thought about it and have the money to pay for it

Knowing the difference between needs and wants...

- Helps you set spending priorities
- Helps you save money
- Helps you make wise choices about money
- Helps you get the most value for your money
- Puts you in control of impulse buying
- Makes you a thoughtful consumer

Identifying Needs vs. Wants

_____ Paper towels

_____ Rent or mortgage

_____ School supplies

_____ Book

_____ Fast-food hamburger

_____ Quart of milk

_____ Designer clothes

_____ Work uniform

_____ Car

_____ Vacation home

_____ Steel-tipped work boots _____ Cable TV

What is “Saving”?

- It is important to remember that saving is a *process*, not an *amount*
- Saving is the money that you put away after you have paid your household expenses
- The key is that you keep hold of your savings and not let it get spent
- Saving helps build assets

Ways to Find Money to Save: Increase Your Income

- Get training that will qualify you for a higher paying job
- Work overtime
- Find a second job
- Turn a hobby into a self-employment venture
- Have a yard sale, sell rarely used items

Ways to Find Money to Save: Pay Yourself First

- Every time you get paid, save some of it for yourself
- Use direct deposit or your bank's automatic transfer to a savings account

Ways to Find Money to Save: Save Bonuses and Windfalls

- When you receive occasional or unexpected money you might spend it on “stuff” that you had not planned to buy
- If you do receive unexpected or occasional money, set aside a portion of it for fun and deposit the rest of it in a savings account

Ways to Find Money to Save : Take Free Money and Save It

- Low- and moderate-income workers qualify for an Earned Income Tax Credit (EITC)
- Save at least half of your tax refund
- Participate in an Investment Development Account (IDA) program if there is one in your area
- If your employer matches retirement savings contributions, be sure to take advantage of that

A Note on Tax Refunds

- Many people think of tax returns as “free” money, but it is not free, it was yours to begin with!
- If you run out of money by the end of the month but receive a large tax refund each year, change your W-4 withholding to a number one larger than the one you have right now
- You should have a slightly larger paycheck now when you need it and a smaller tax refund at the end of the year

Ways to Find Money to Save : Reduce High-Cost Debt

- Contact a credible non-profit credit counseling agency for help in paying off high-cost debt like payday loans and credit cards
- Build an emergency fund to avoid having to take loans to pay for unexpected purchases
- Ask your bank or credit union to automatically transfer funds each month from your checking to your savings account
- Put all your loose change in this savings account

Ways to Find Money to Save: Plug Your Spending “Leaks”

- Think about the small purchases you make on a regular basis, like coffee, soda, or lottery tickets
- If you make these purchases on a daily basis, see if you can cut back to once or twice a week, as a treat
- Take the money that you have not spent and deposit it in your savings account

Top 11 Ways to Find Money to Save

Tip	Monthly Saving	Yearly Savings
1. Save \$.50 a day in loose change	\$15	\$180
2. Cut soda/pop consumption by 1 liter a week	\$6	\$72
3. At work, substitute 1 coffee for 1 cappuccino	\$40	\$480
4. Bring lunch to work (saving estimated \$3/day)	\$60	\$720
5. Eat out 2 fewer times a month	\$30	\$360
6. Borrow, rather than buying, one book a month	\$15	\$180
7. Comparison shop for gas (save est. \$.25/gallon)	\$4	\$48
8. Maintain checking account minimum to avoid fees	\$7	\$84
9. Bounce one less check a month	\$20	\$240
10. Pay credit card bill on time to avoid late fee	\$25	\$300
11. Pay off \$1000 of credit card debt, reducing interest	\$15	\$180
AmericaSaves.org		

Ways to Save Money on Food

- Substitute coffee for expensive coffee drinks
- Bring lunch to work
- Eat out one fewer time each month
- Shop for food with a list and stick to it

Ways to Save Money on Prescription and OTC Drugs

- Ask your physician to consider prescribing generic drugs
- Find the lowest-cost place to purchase prescription drugs
- Purchase store brand over-the-counter medications

Ways to Save Money on Banking

- Avoid bouncing checks or overdraft fees each month
- Make your monthly credit card payments on time
- Use only the ATMs of your bank or credit union

Ways to Save Money on Insurance

- Shop around for auto and homeowners' insurance
- Raise the deductibles on auto and homeowners' insurance
- Assess your need for life insurance coverage
- Consider dropping credit insurance coverage on installment loans

Ways to Save Money on Transportation

- Keep your car engine tuned and its tires inflated to their proper pressure
- Shop around for gas
- When driving, avoid fast start-ups and stops
- Take fewer cab rides
- Check all airlines for cheap fares

Ways to Save Money on Housing

- Don't pay for space you don't need
- Live relatively near your workplace
- Refinance your mortgage to lower interest charges
- Choose home repair contractors wisely

Ways to Save Money on Home Heating/Cooling

- Ask your local electric or gas utility for a free or low-cost home energy audit
- Weatherproof your home
- Use window coverings to block or let in sunshine

How to Save Money on Clothing

- Look for sales at discount outlets
- Consider purchasing previously-used clothes from Good Will, second-hand stores, or school or church thrift sales
- Assess clothing in terms of quality as well as price
- Clean clothes inexpensively

How to Save Money on Communications

- Assess your communications costs
- Communicate by e-mail rather than by phone
- Be aware of your cell phone costs and how to reduce them

How to Save Money on Entertainment

- Research free or inexpensive entertainment in your community
- Give up premium cable channels or better yet give up cable all together
- Borrow books rather than purchasing them
- Attend high school rather than college or pro sports events

How to Save Money on Friends & Family

- Plan gift-giving well in advance
- In families, discuss limits on spending for gifts
- Socialize at pot-luck meals rather than at restaurants
- Consider writing letters instead of making frequent phone calls

To recap...

- When we think about spending money, we must first begin with considering our values
- Once we recognize our values, we can then identify our needs vs. our wants and determine realistic savings goals
- There are many ways to find money to save and sometimes we must get creative to achieve our goals!

Resources

- National Endowment for Financial Education
<http://www.nefe.org/>
- America Saves <http://www.americasaves.org/>
- EITC <http://www.irs.gov/Individuals/EITC-Home-Page--It%E2%80%99s-easier-than-ever-to-find-out-if-you-qualify-for-EITC>

Questions?