



MILITARY FAMILIES LEARNING NETWORK

Savings Strategies for Military Families

<https://learn.extension.org/events/2344>

U.S. DEPARTMENT
OF DEFENSE



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MILITARY FAMILIES

LEARNING NETWORK

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PERSONAL FINANCE

Military Families Learning Network

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MFLN Personal Finance



@MFLNPF



Military Families Learning Network



Military Families Learning Network on LinkedIn
<https://www.linkedin.com/groups/8409844>

Webinar Topics

- Savings overview
- Savings research
- Savings strategies
- Savings programs
- Savings resources
- Military-specific savings opportunities



AMERICA Saves\$

START SMALL. THINK BIG.

A national social marketing campaign designed to build a culture of savings in America as a core component of financial stability.

America Saves Sound Bite

Set a Goal.

Make a Plan.

Save Automatically.

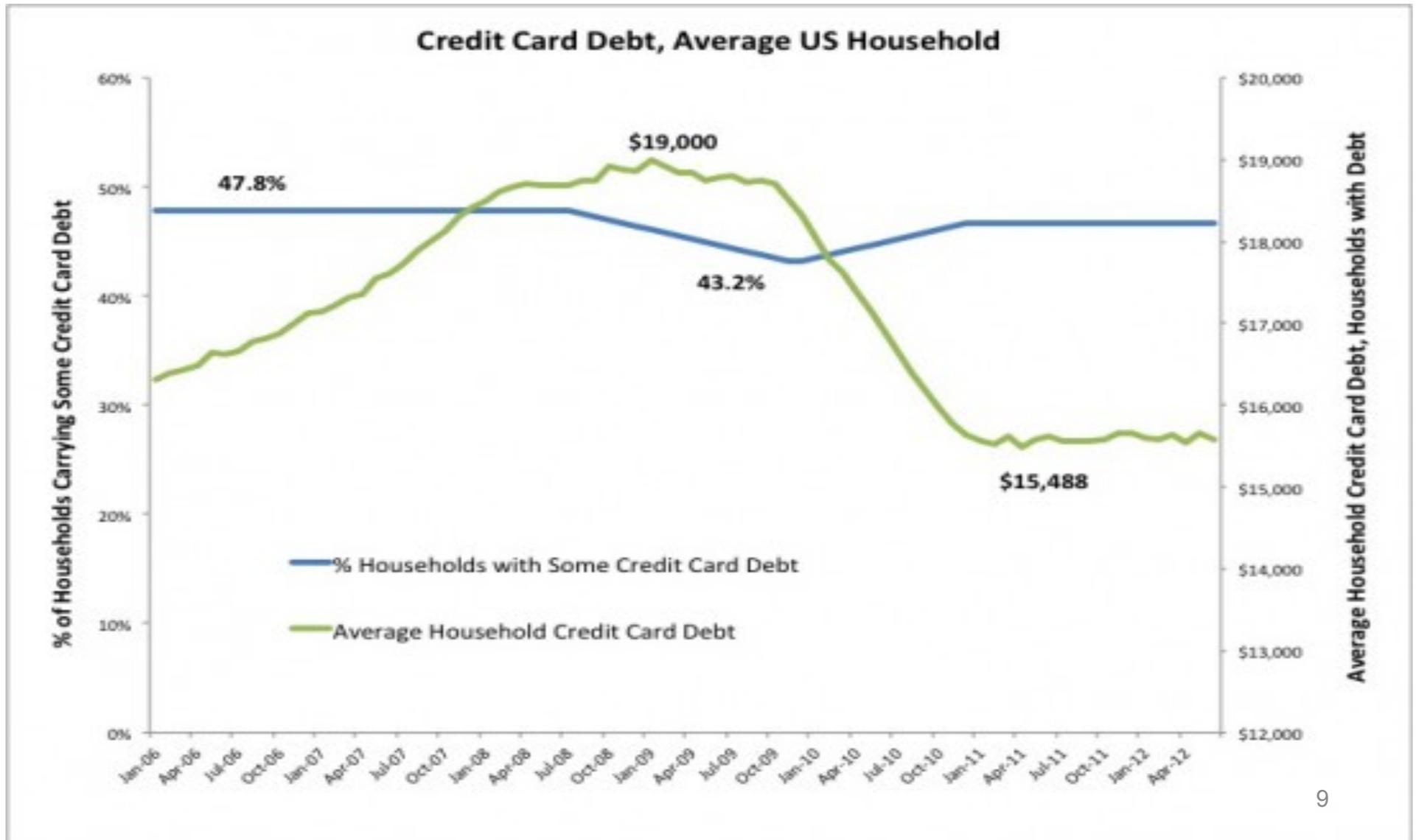




Low Personal Savings Rates



High Credit Card Debt

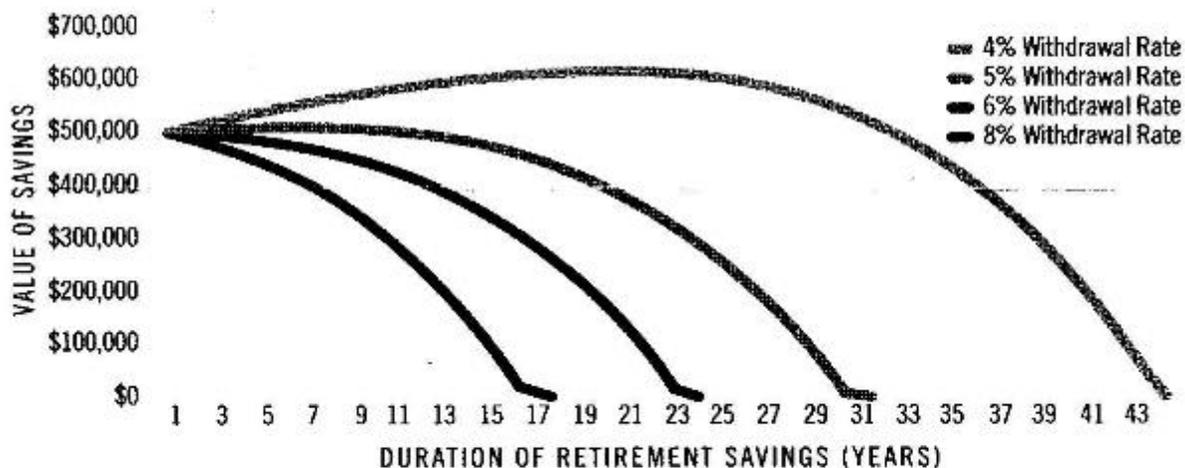


Americans Unprepared for Retirement: Asset Withdrawals

- Almost 7 in 10 (69%) surveyed adults said they could withdraw 7% of savings annually while preserving principal (MetLife Mature Market Institute Survey, 2008)
- Financial experts generally recommend a withdrawal rate of no more than 4% to 5% annually (even less for conservative investors)

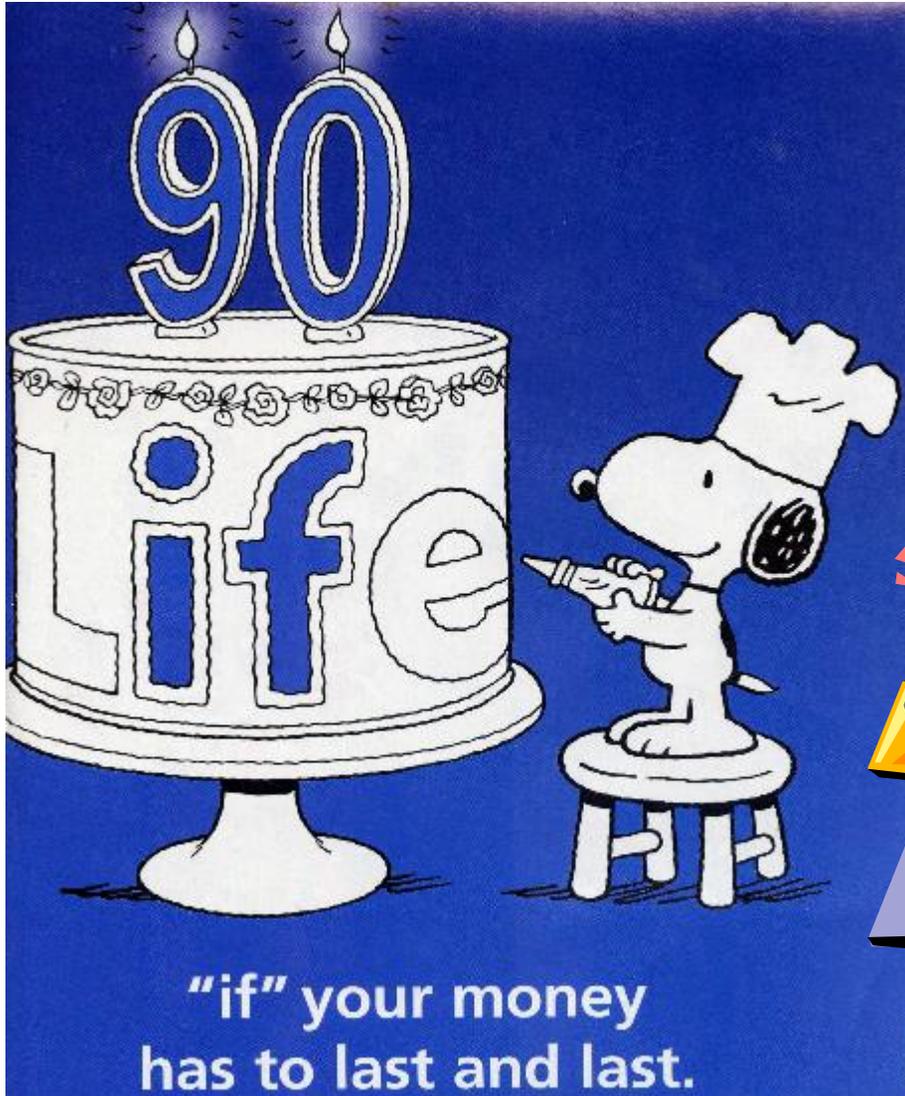
A Word About Withdrawals

Withdrawing too much on an annual basis may increase the chances of depleting your assets. The chart shows how long a portfolio worth \$500,000 at retirement would be expected to last at various withdrawal rates. The example assumes a 3% annual inflation rate applied to annual withdrawals and a 6% annual rate of return.



Source: Standard & Poor's. The chart is hypothetical and for illustrative purposes only. It does not represent an actual investment.

Americans Unprepared for Retirement: Increasing Life Expectancy



Definition of Savings

“Putting money aside from present earnings to provide for the future.”



Types of Savings

- Emergency fund (3-6 months expenses)
- “No-Touch” money for long-term goals
- Savings for short/intermediate term goals
- “Accumulation fund” for large bills



Question #1

**Why should people
save money?**

(Advantages of saving)



Key Reasons To Save

- To cope with emergencies
- To purchase “big ticket” items
- To fund high-cost future goals
- To generate income
- For security and peace of mind
- For the good of the country



Question #2

Why don't people save money (barriers)?



Why People Don't Save

- Overspending and outstanding debt
- No goal or plan
- Lack knowledge about how/where to save
- High cost of living
- Lack of motivation/external locus of control



To Save, People Need...

To see their “potential future” through tools such as:

- Rule of 72
 - $72 \text{ divided by interest rate} = \text{years to double}$
 - $72 \text{ divided by doubling time} = \text{interest rate}$
- *401(k) Booster Calculator* and other slide rules
- Handheld financial calculators
- Online calculators



To Save, People Need...

SMART financial goals

- Specific
- Measurable
- Achievable/Attainable
- Realistic
- Time-Related



Example: “Save \$10,000 for new car in four years”

<http://njaes.rutgers.edu/money/pdfs/goalsettingworksheet.pdf>

To Save, People Need...

- Role models: true stories to learn from
 - “\$11 savings story”
 - “Millionairess story”
 - Family and friends
 - Case study newspaper articles
 - Other successful program participants
- To believe in the future
- Specific money-saving strategies



Savings Research



America Saves Sound Bite:
Not Just a Slogan but Informed
by Research

Set a Goal.

Make a Plan.

Save Automatically.



Research Study Topics

- Savings behaviors of Americans
- Characteristics of successful savers
- Barriers to saving money
- Resources for saving money
- Other relevant research



Savings Behavior

- 8th Annual Savings Survey (national) by CFA & ASEC (2012):
http://consumerfed.org/press_release/annual-savings-survey-reveals-across-the-board-improvement-in-past-year/
- Having a savings plan with specific goals has beneficial financial effects, even for lower-income families (< \$25,000)
- Those with a savings plan are much more likely to spend < income and save (90% of all 1,009 respondents vs 50%)



Implications

- Provide planning tools and encourage future-mindedness
<http://www.americasavesweek.org/for-individuals/picture-your-savings-goal>
- Provide successful savings role models...people with “street cred”



Savings Behavior

- Study of 1,000 retirement plan participants indicates gaps between awareness and action:
<http://www.fa-mag.com/news/gap-exists-between-savings-knowledge-and-action-11328.html>
- 78% know they should determine how much to save for retirement but only 33% know how
- 65% believe investment diversification is important but only 1/3 know how to do it
- 67% know they should adjust investments over time but only 30% know how to do it



Implications

- Beware of using technical jargon that people don't understand
- Break recommendations into a series of action steps
- Help people find and use planning and saving resources

<http://www.choosetosave.org/ballpark/>

<https://personal.vanguard.com/us/insights/retirement/tool/retirement-expense-worksheet>

https://www.tiaa-cref.org/public/pdf/advice-planning/tools-calculators/A125820_budgeting_worksheet.pdf

Savings Behavior

- 2015 Retirement Confidence Survey (EBRI): 57% of U.S. workers have < \$25,000 in total savings including 28% that have < \$1,000 (excluding a primary residence and DB pension plan)
- Only 14% have saved \$250,000 +
- 7 in 10 (69%) of workers say it is possible to save \$25 a week more than they are currently saving

Implications

- Stress the benefits of employer savings plans
- Sign people up at workplace seminars or auto-enroll them
- Fine line between educating people and scaring them so they say “Why bother? I’ll never be able to save enough money”

https://www.ebri.org/pdf/surveys/rcs/2015/EBRI_IB_413_Apr15_RCS-2015.pdf



Savings Behavior

- The fewer the number of savings goals, the better (Soman & Zhao, 2011):
 - <http://connection.ebscohost.com/c/articles/67729139/fewer-better-number-goals-savings-behavior>
- Presenting a single savings goal leads to greater savings intention and actual savings than multiple savings goals
- Multiple goals increase the likelihood of deferring action (“analysis paralysis”)

Implications

- “Saving is easier when multiple savings goals are integrated rather than competing among themselves”
- Automate goal savings amounts so you only have to “deal” with them once



Characteristics of Successful Savers

- Okech et al. (U of Georgia): Paying rent with cash, using VITA to prepare taxes, and witnessing parents save money in financial institutions were positively associated with likelihood of having a motivation to save:

<http://www.tandfonline.com/doi/abs/10.1080/15588742.2013.766917#.UuARJ00o6M8>



Implications

- Encourage parents to model good financial management practices for children
- Foster deliberate parent-child interaction about savings; use normal events as “teachable moments”
- Coordinate savings outreach programs with tax preparation outreach

Characteristics of Successful Savers

- When kids have even a small savings account in their name, it increases the chance that they will persevere and do what it takes to graduate from college
- Those who have an account are about 7 times more likely to attend college than youth without savings
- The correlation between savings and college graduation is particularly strong among young adults in families earning < \$50k

<http://link.springer.com/article/10.1007/s10834-012-9341-0#page-1>

Implications

- Even modest savings can be empowering and has aspirational effects: gives people a sense that they have control over their destiny
- Having money saved for college reinforces the message to go to college and work hard for good grades
- Encourage youth savings and stress the psychological benefits



Characteristics of Successful Savers

- Grinstead et al. (2011) study of IDA program participants in American Dream Demonstration
- Hours of participation in financial education program, higher matched cap, prior use of a savings account, and greater educational attainment were associated with greater likelihood of savings and saving goal achievement

http://www.afcpe.org/assets/pdf/vol_22_issue_2_grinstead_mauldin_sabia.pdf

Implications

- Learning needs vary. If resources allow, financial education should be tailored and individualized (e.g., financial coaching)
- Peer financial counseling is a low-cost option to savings coaches
- High match rates and match caps motivate people to save
- Provide a link between people's saving goals and financial education content



Characteristics of Successful Savers

- Rha et al.(2006) study of effect of “self-control mechanisms on saving behavior: SCF data

(e.g., saving goals, anticipation of future expenses, saving rules including saving regularly or saving one person’s income)

- Household saving behavior was strongly affected by mechanisms that help people practice self-control; 56% spent < income
- Households with savings rules were more likely to spend < income than those without rules

<http://www.afcpe.org/assets/pdf/vol-1722-self-control-mechanisms.pdf>

Implications

- Behavioral variables affect savings behavior at all income levels
- Help people establish realistic personal “savings rules”
- Teach financial goal-setting and provide tools with which to do it



Savings Barrier: Scarcity of Attention

- Urgent current expenses trump saving for future priorities
- Scarcity engrosses people in current needs
- If financially distressed: less mental capacity to address problems & future goals
- Eldar Shafir (Princeton): *Why Having Too Little Means So Much*:
<http://money.cnn.com/2013/12/01/leadership/saving-money.moneymag/>

Implications

- Automated savings
- Auto escalation (e.g., Save More Tomorrow)
- Form 8888 for automatic tax refund savings
- www.futureme.org (send e-mail to your future self)
- Target-date lifecycle funds



Savings Barrier: Exponential Growth Bias

- “Tendency to linearize exponential functions when assessing them intuitively”

People severely underestimate how much interest they earn on savings or pay on credit cards

- Biased people borrow more, save less, and favor shorter maturities
- Stango, V. and Zinman, J. (2009), Exponential Growth Bias and Household Finance. *The Journal of Finance*, 64: 2807–2849.

Implications

- Teach The Rule of 72 so people understand “doubling periods”
- Use hands-on activities to illustrate the effects of compound interest on debt and savings

– <http://rci.rutgers.edu/~boneill/assignments/sliderule1.html>

– <http://rci.rutgers.edu/~boneill/assignments/sliderule2.html>



Savings Resource: Visualizing the Future

- People need to visualize the future impact of their savings
- Many people are not good with long-term decisions
- Hal Hershfield (NYU) et al: people save more money after being shown digitally altered pictures of themselves at older age
- http://www.marketingpower.com/aboutama/documents/jmr_forthcoming/increasing_saving_behavior.pdf

Implications

- Show people what they could look like:
 - <http://faceretirement.merrilledge.com/>
 - <http://in20years.com/>
- Show people how much money they can lose by not saving:
 - <http://rci.rutgers.edu/~boneill/assignments/sliderule2.html>



Savings Resource: Workplace Savings Planning Aids

- Lusardi et al. study: simplifying the process of enrolling in employer plan motivates employees to save
- Used flyer that broke the process down into 7 steps and video program
- 56% increase in election behavior within 30 days of viewing communication programs vs. employees not exposed to them
- Differences were sustained after 60 and 90 days

<http://www.nefe.org/Portals/0/WhatWeProvide/PrimaryResearch/PDF/DartmouthStudy.pdf>

Implications

- Design initiatives that overcome barriers to save
- Make “how to” information “sticky”
- Break down financial recommendations to save into “baby steps”
- Develop videos that feature actors from the target audience being reached



Savings Resource: Future Forecasts

- People are motivated to save by knowing how much income they can withdraw from 401(k) in retirement
- Study by Gopi Shah Goda (Stanford) et al.: Workers who received a brochure showing increased income from increased savings saved \$1,150/year more than those that didn't get pamphlet

http://crr.bc.edu/wp-content/uploads/2013/04/IB_13-4-508.pdf



Implications

- Lobby employers or plan providers for personalized retirement income projections

- Use retirement income calculator tools such as:

✓ www.bankrate.com/calculators/retirement/retirement-plan-income-calculator.aspx

✓ <http://money.cnn.com/calculator/retirement/retirement-need/>

- Translate savings RATES into savings INCOME

Savings Resource: Text Messages

- Karlan et al. (Yale): conducted experiments with text messages
- Even low-income bank customers managed to save part of their income when nudged by regular text messages
- “Reminders will be more effective when they increase the salience of a specific expenditure”

<http://karlan.yale.edu/p/Top-of-Mind-April2010.pdf>

Implications

- Regular “nudges” can motivate people to save
- Text messages are an effective motivational tool
- Reinforce the connection between saving and specific financial goals
- Brain studies: imaging a future goal is almost as powerful a “zing” as achieving it (e.g., buying a car)



Other Relevant Research Related to Saving Money



The Power of Social Norms

- Goldstein et al, (2008) study of social norms to change behavior; experiment about environmental conservation program in hotels
- Telling people “the majority of guests reuse their towels” proved superior to traditional appeals used by hotels that focus solely on environmental protection benefits
- Even more superior results for the setting that closely matched participants’ immediate circumstances (“the majority of guests in this room reuse their towels”)

<http://www.carlsonschool.umn.edu/assets/118359.pdf>

Implications

- Provide positive financial frames of reference such as % of employees participating in an employer’s retirement savings plan
- Provide relevant research findings about financial behaviors of Americans
- Use the “Wealth Test” from The Millionaire Next Door: formula based on age and income:

www.bauer.uh.edu/drude/Net.Worth.Worksheet.pdf



The Marshmallow Test: Delayed Gratification and Self-Control

- Mischel et al. study of delayed gratification (late 1960s/early 1970s)
- 4-year old children offered a choice between one small reward now or 2 rewards if they waited 15 minutes
- Children who waited had better life outcomes including higher SAT scores and scholastic performance, less substance abuse, fewer behavior problems, and better social skills and stress coping skills

<http://harbaugh.uoregon.edu/Readings/UGBE/Mischel%201989%20Science.%20Delay%20of%20Gratification.pdf>

Implications

- Willpower appears to breed long-term success in life (strategic reasoning skills and trust too?)
- Teach long-term gains of saving
- Develop learning activities that encourage people to develop willpower
- Foster trust by learners



Question #3

What are your favorite savings strategies?



Sixteen Sweet Savings Strategies



1. Collect Coins

- This is something many people do
- “Kick it up a notch”: \$1 a day plus change
- Use see-through containers for motivation



2. Anticipate “Extra” Paychecks

- Paid weekly: 4 months with 5 paydays
- Paid weekly: 2 months with 3 paydays
- Mark paydays on calendar
- Use “extra” money to:
 - Reduce debt
 - Save



3. Automated Employer Retirement Savings Plans

- 401(k) plans- corporations
- 403(b) plans- schools and non-profits
- Section 457 plans- state/local government
- Thrift Savings Plan (TSP)



4. Other Automated Savings Opportunities

- Mutual fund AIPs (automatic investment programs)
- Direct stock purchase plans
- Credit union (payroll savings)
- Holiday clubs
- Other?



5. Continue Paying a Loan or Bill: To Yourself

- Continue making monthly payments- to savings- after a loan or expense ends
 - Car loan
 - Mortgage
 - Child care
- Does not affect lifestyle
- Don't feel “deprived”



6. Accelerate Debt Repayment

- Always pay more than the minimum payment
- Aim for at least double the minimum payment
- Use “windfall” money to repay even more
- Do a *PowerPay* analysis:

– <https://powerpay.org/>



7. Track and Slash Expenses

- Carry a tracking form or notebook:
<http://njaes.rutgers.edu/money/pdfs/expensetracker.pdf>
- Write down *everything* you/family spend
- Get monthly total for all categories
- Study numbers and identify “leaks”



8. Fund IRAs on the “Installment Plan”

- Don't need to save contribution all at once
- Simply need to meet minimum of IRA custodian
- Can fund with- or like- a “holiday club”
 - 50 weeks x \$10 = \$ 500
 - 50 weeks x \$20 = \$ 1,000
 - 50 weeks x \$40 = \$ 2,000
 - 50 weeks x \$60 = \$ 3,000



9. Take Advantage of “Free Money”

- Employer 401(k) or 403(b) match
- Tax credit for low income savers (2016)
 - 50% singles < \$18,500; mfj < \$37,000 AGI
 - 20% singles: \$18,501-\$20,000
mfj: \$37,001-\$40,000
 - 10% singles: \$20,001-\$30,750
mfj: \$40,001-\$61,500
- 50% credit means half of deposit is subsidized by the federal government



10. Take Advantage of Catch-Up Contributions

- Extra amounts for persons age 50+
 - **IRAs:** + \$1,000
 - **Employer plans:** + \$6,000
 - **HSAs (age 55+):** +\$1,000
- Can result in tens of thousands more by 65



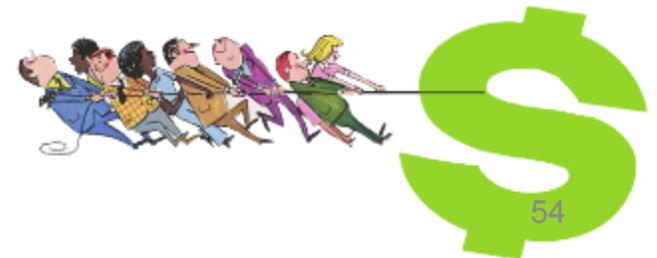
11. Reinvest Lump Sum Payouts

- EBRI Study: Even small payouts add up!
 - \$5,000 distribution at 25, 35, 45, 55
 - 8% return
 - Almost \$200,000 at 65 if all 4 distributions are rolled over into tax-deferred accounts
 - If age 25 lump sum is cashed out, only \$84,000
- Research shows small sums more likely to be cashed out and spent



12. Reinvest Cash Distributions

- Dividends and capital gains on
 - Mutual funds
 - Stock purchases
- Check appropriate box on application form
- Painless way to “grow your money”



13. Bank Windfalls (a.k.a., “Found Money”)

- Retroactive pay
- Gambling proceeds
- Tax rebates
- Gifts and inheritances
- Insurance dividends
- www.missingmoney.com (state unclaimed property)
- Other?



14. “Kick It Up a Notch”

- Whatever you’re doing to save, do more
 - Example: 3% of pay in 401(k) instead of 2%
 - \$2 a day plus change instead of \$1 a day
 - \$100 EE bond instead of \$50 EE bond
- Best times to do:
 - When expenses end
 - When income increases



15. Increase Yields on Savings

- Online banks
- Credit unions



- Higher-yielding savings alternatives: savings bonds, Treasury notes, short-term bond funds
- Laddered certificates of deposit (CDs)

16. Savings Challenges

52 Week Money Challenge

HOW TO SUCCESSFULLY SAVE \$1,378 IN 52 WEEKS!

Week	Deposit	Balance	Week	Deposit	Balance
<input type="checkbox"/> 1	\$1	\$1	<input type="checkbox"/> 27	\$27	\$378
<input type="checkbox"/> 2	\$2	\$3	<input type="checkbox"/> 28	\$28	\$406
<input type="checkbox"/> 3	\$3	\$6	<input type="checkbox"/> 29	\$29	\$435
<input type="checkbox"/> 4	\$4	\$10	<input type="checkbox"/> 30	\$30	\$465
<input type="checkbox"/> 5	\$5	\$15	<input type="checkbox"/> 31	\$31	\$496
<input type="checkbox"/> 6	\$6	\$21	<input type="checkbox"/> 32	\$32	\$528
<input type="checkbox"/> 7	\$7	\$28	<input type="checkbox"/> 33	\$33	\$561
<input type="checkbox"/> 8	\$8	\$36	<input type="checkbox"/> 34	\$34	\$595
<input type="checkbox"/> 9	\$9	\$45	<input type="checkbox"/> 35	\$35	\$630
<input type="checkbox"/> 10	\$10	\$55	<input type="checkbox"/> 36	\$36	\$666
<input type="checkbox"/> 11	\$11	\$66	<input type="checkbox"/> 37	\$37	\$703
<input type="checkbox"/> 12	\$12	\$78	<input type="checkbox"/> 38	\$38	\$741
<input type="checkbox"/> 13	\$13	\$91	<input type="checkbox"/> 39	\$39	\$780
<input type="checkbox"/> 14	\$14	\$105	<input type="checkbox"/> 40	\$40	\$820
<input type="checkbox"/> 15	\$15	\$120	<input type="checkbox"/> 41	\$41	\$861
<input type="checkbox"/> 16	\$16	\$136	<input type="checkbox"/> 42	\$42	\$903
<input type="checkbox"/> 17	\$17	\$153	<input type="checkbox"/> 43	\$43	\$946
<input type="checkbox"/> 18	\$18	\$171	<input type="checkbox"/> 44	\$44	\$990
<input type="checkbox"/> 19	\$19	\$190	<input type="checkbox"/> 45	\$45	\$1035
<input type="checkbox"/> 20	\$20	\$210	<input type="checkbox"/> 46	\$46	\$1081
<input type="checkbox"/> 21	\$21	\$231	<input type="checkbox"/> 47	\$47	\$1128
<input type="checkbox"/> 22	\$22	\$253	<input type="checkbox"/> 48	\$48	\$1176
<input type="checkbox"/> 23	\$23	\$276	<input type="checkbox"/> 49	\$49	\$1225
<input type="checkbox"/> 24	\$24	\$300	<input type="checkbox"/> 50	\$50	\$1275
<input type="checkbox"/> 25	\$25	\$325	<input type="checkbox"/> 51	\$51	\$1326
<input type="checkbox"/> 26	\$26	\$351	<input type="checkbox"/> 52	\$52	\$1378

16. Savings Challenges

52 Week YOUTH Money Challenge

52-Week Youth Money Challenge			
Barbara O'Neill, Ph.D., CFP®, Rutgers Cooperative Extension oneill@aesop.rutgers.edu			
Weeks of the Challenge	Amount of Savings per Week in Dollars (or Other Currency)	Amount Saved	Total Amount Saved
Weeks #1-10 Dates:	\$1.00	\$10.00	\$10.00
Weeks #11-20 Dates:	\$2.00	\$20.00	\$30.00
Weeks #21-30 Dates:	\$3.00	\$30.00	\$60.00
Weeks #31-40 Dates:	\$4.00	\$40.00	\$100.00
Weeks #41-50 Dates:	\$5.00	\$50.00	\$150.00
Week 51: Optional Birthday Gift Savings Date:	\$25.00	\$25.00	\$175.00
Week #52: Optional Holiday Gift Savings Date:	\$25.00	\$25.00	\$200.00
Optional 50% Match by Parent, Grandparent, etc. Date:	\$100.00	\$100.00	\$300.00

16. Savings Challenges

50 Week \$2,500 Money Challenge

The \$2,500 Savings Challenge

This challenge features two weeks "off" (at the saver's discretion) and a reduced final deposit.

Week #	Deposit	Total	Completion Check-Off	Week #	Deposit	Total	Completion Check-Off
1	\$2	\$2		26	\$52	\$702	
2	\$4	\$6		27	\$54	\$756	
3	\$6	\$12		28	\$56	\$812	
4	\$8	\$20		29	\$58	\$870	
5	\$10	\$30		30	\$60	\$930	
6	\$12	\$42		31	\$62	\$992	
7	\$14	\$56		32	\$64	\$1,056	
8	\$16	\$72		33	\$66	\$1,122	
9	\$18	\$90		34	\$68	\$1,190	
10	\$20	\$110		35	\$70	\$1,260	
11	\$22	\$132		36	\$72	\$1,332	
12	\$24	\$156		37	\$74	\$1,406	
13	\$26	\$182		38	\$76	\$1,482	
14	\$28	\$210		39	\$78	\$1,560	
15	\$30	\$240		40	\$80	\$1,640	
16	\$32	\$272		41	\$82	\$1,722	
17	\$34	\$306		42	\$84	\$1,806	
18	\$36	\$342		43	\$86	\$1,892	
19	\$38	\$380		44	\$88	\$1,980	
20	\$40	\$420		45	\$90	\$2,070	
21	\$42	\$462		46	\$92	\$2,162	
22	\$44	\$506		47	\$94	\$2,256	
23	\$46	\$552		48	\$96	\$2,352	
24	\$48	\$600		49	\$98	\$2,450	
25	\$50	\$650		50	\$50	\$2,500	

Developed by Dr. Barbara O'Neill, Rutgers Cooperative Extension, oneill@aesop.rutgers.edu

Question #4

What programs help people save money?



Savings Programs





SAVE10.ORG

Save 10 empowers employers to help put their employees on the path to save, eventually saving a minimum of 10% of their income, and ultimately providing for a more secure retirement.

Principles of SAVE 10



■ Auto Enroll

■ Auto Escalate

■ Encourage
Employees to
Save 10

SAVEYOURREFUND

SAVE SMALL ★ WIN BIG

PRESENTED BY D2D FUND

SaveYourRefund makes YOU a winner this tax season— win one of ten **\$100 prizes each week** (100 total prizes) or a **Grand Prize of \$25,000** by **saving just \$50** of your federal refund!

How to Qualify for SaveYourRefund

- ❑ Must be at least 18 years old
- ❑ Due a federal tax refund
- ❑ Split and save \$50 of your refund

How to Save:

Tax filers must split their refund and save at least \$50 into one of these accounts using Form 8888:



SAVINGS
ACCOUNT



PREPAID
CARD



SAVINGS
BOND



IRA

Online Entry for Weekly SaveYourRefund Drawings



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SaveYourRefund

Save just \$50 of your federal tax refund this year for a chance to win \$100 in weekly prize drawings or a \$25,000 Grand Prize.

[ENTER](#)



Split



Use Form 8888 when you file your taxes to split your refund into two parts, one for spending, one for savings.

Save



Save as little as \$50 of that split into a savings account, certificate of deposit, IRA, prepaid card, savings bond, or Treasury Direct account.

Win



Enter to win weekly prizes by giving us your savings information, and enter a contest for the grand prize by submitting a photo of your savings goal or



myRA® (*my Retirement Account*)

A New Way to Start Saving for Retirement



myRA from the U.S. Treasury

myRA (*my* Retirement Account) was developed by the U.S. Department of the Treasury to make saving for the future easy.

It can help people take a step toward a more secure retirement in a way that's **simple, safe, and affordable.**

myRA is a Roth IRA¹

- ✓ Contributions are invested in a **new U.S. Treasury savings bond** that earns interest at the same rate as investments in the Government Securities Fund available to federal employees²
- ✓ People can choose to transfer or roll over their *myRA* into a private-sector Roth IRA at any time so they can **continue to grow their savings**
- ✓ *myRAs* can have a maximum account balance of \$15,000, or a lower balance for up to 30 years. When either of those limits is reached, savings will be transferred into a **private-sector Roth IRA**

¹Annual and lifetime contribution limits and annual earned income limits apply, as do conditions for tax-free withdrawal of earnings. To learn about key features of a Roth IRA and for other requirements and details, go to myRA.gov/roth-ira.

²Accounts earn interest at the same rate as investments in the Government Securities Fund, which returned 2.31% in 2014 and had an average annual return of 3.19% over the ten-year period ending December 2014.

Saving with *myRA* is...



simple

- ✓ Set up automatic contributions
- ✓ If changing jobs, the account stays with the saver
- ✓ Withdraw money put in (contributions) without tax and penalty¹



safe

- ✓ No risk of losing money
- ✓ The investment is backed by the U.S. Treasury
- ✓ The account safely earns interest¹



affordable

- ✓ No cost to open and no fees
- ✓ Savers contribute an amount they choose every payday (\$2, \$20, \$200 – whatever fits their budget!)²
- ✓ Savers can enjoy the tax advantages this type of investment brings²

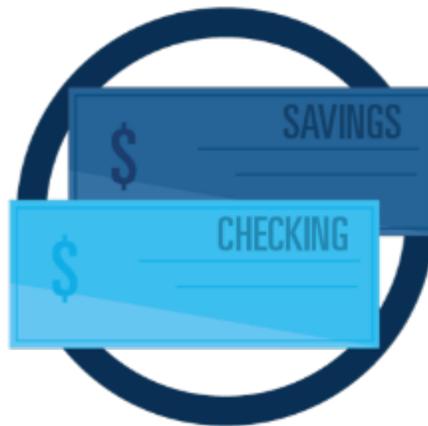
¹ Interest earned can be withdrawn without tax and penalty five years after your first contribution if you are over age 59 1/2 or meet certain other conditions, such as using the funds for the purchase of your first home. Accounts earn interest at the same rate as investments in the Government Securities Fund, which returned 2.31% in 2014 and had an average annual return of 3.19% over the ten-year period ending December 2014.

²Annual and lifetime contribution limits and annual earned income limits apply, as do conditions for tax-free withdrawal of earnings. Limits listed are for 2015 and may be adjusted annually for cost-of-living increases. To learn about key features of a Roth IRA and for other requirements and details, go to myRA.gov/roth-ira.

Three Ways to Contribute to a *myRA* Account



From your
paycheck



From your checking
or savings account



From your federal
tax refund

America Saves



America Saves Week

AMERICASAVESWEEK

February 22 – 27, 2016

- An opportunity for Americans to assess their financial condition and goals
- A dedicated time for financial action
- This year the theme is:

Make Savings Automatic

<http://www.americasaves.org/>

<http://www.americasavesweek.org/>

Military Saves



<http://www.militarysaves.org/>

Question #5

**What resources
(materials) do you use
to motivate people to
save money?**



Savings Resources



Cardboard Calculators



1% More Savings Calculator (NY Times)

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The New York Times Business Day **Your Money** Search All NYTimes.com

WORLD U.S. N.Y. / REGION BUSINESS TECHNOLOGY SCIENCE HEALTH SPORTS OPINION ARTS STYLE TRAVEL JOBS REAL ESTATE AUTOS

Search Your Money Go **More in Your Money »**
 Investments Loans Planning Retirement Credit Insurance

8% ANNUAL ANNUITY RETURN
 Get guaranteed lifetime income and reduced risks to retirees all here. >

Published: March 24, 2010 FACEBOOK TWITTER GOOGLE+ EMAIL SHARE

The 1% More Savings Calculator

Increasing your savings by one more percentage point – or even better, another percentage point a year – can add up to big additional savings over time.

Enter your savings information

Your annual income: \$ 100,000
 Your current savings balance: \$ 0
 Percent you save each year: 10%
 Your annual salary increase: 3%
 Your expected annual return: 5%
 Time horizon: 10 years

You could save an extra \$14,422 to \$60,741 after 10 years.

Legend:
 - If you save at your current rate: \$144,221 at 10 years
 - If you save 1 percent more: \$158,643 at 10 years
 - If you increase your savings rate each year by an additional percentage point to a maximum of 10 percent: \$204,962 at 10 years

Savings are shown in today's dollars, assuming inflation is 5 percent per year.

The New York Times

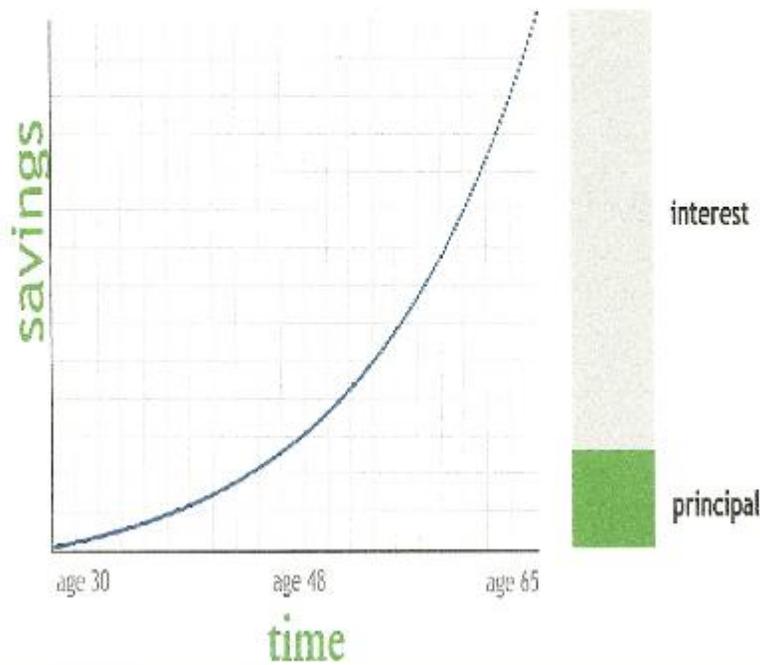
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Council for Economic Education EconEdLink Compound Interest Calculator

EconEdLink
Compound Interest Calculator

monthly savings: \$120
starting age: 30
interest rate: 8%

calculate savings \$277,101



<http://www.econedlink.org/interactives/tools/eel-compound-interest-calculator/EconEdLink-2-Compound-Interest-Calculator.swf>

The *Ball Park Estimate*

- Six easy steps; can do online or download worksheet
- Tells savings amount to reach retirement goal
- Can do on paper or online: www.choosetosave.org
- Flexible annual retirement income and life expectancy figures
- Assumes a 3% constant real rate of return
- Can use various life expectancies





BALLPARK E\$TIMATE
Ballpark FAQ
Tips for Completing
Ballpark
Introduction to Ballpark
Interactive Ballpark
Non-Interactive Ballpark



Ballpark E\$timate®

INTERACTIVE BALLPARK

1. Enter your age:

2. Enter current annual salary/wage:

\$

3. Enter planned retirement age:

4. Enter the desired replacement rate (the percentage of your current income you would like to receive during retirement):

 %

5. Enter expected age of death:

6. Input inflation assumption:

 %

7. Input wage growth assumption:

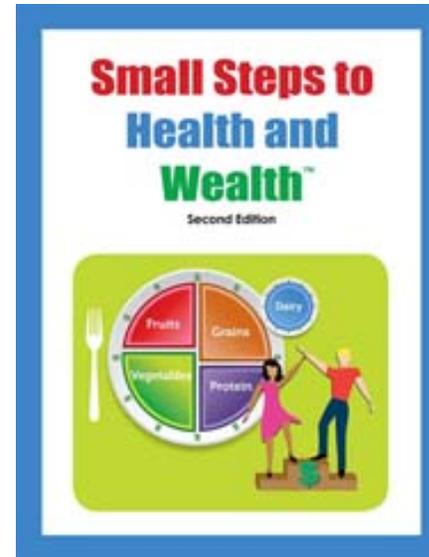
 %

8. Input the rate of return you assume you will earn on your investments BEFORE you retire. (Note: we need you to enter a nominal rate for this calculation, in other words, do NOT subtract out the rate of inflation to produce a real rate of return.)

 %

9. Input the rate of return you assume you will earn on your investments AFTER you retire. (Note: we need you to enter a nominal rate for calculation, in other words, do NOT subtract out the rate of inflation to produce a real rate of return.)

Small Steps to Health and Wealth™



<http://njaes.rutgers.edu/sshw/>

What People Think About, They Bring About!

Online SSHW Challenge

SSHW Worldwide Challenge 2010 (1/24/2010 to 2/27/2010)

Total To Date: 370

Week of 

Daily Activity	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total
Ate at least 4 cups of fruits and vegetables	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	30
Exercised at least 30 minutes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Drank water or unsweetened beverages instead of sugar-sweetened beverages	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Tracked 10,000 (or more) steps by walking with a pedometer	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Learned something new related to health and/or nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	20
Saved \$1 bill (or more) and/or loose change in a can or jar	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Invested \$5 (or more) including automatic deposits (e.g. 401(k)s)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Tracked money spent throughout the day	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Ate lunch prepared at home instead of at a deli or restaurant	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Learned something new related to personal finance (reading, internet, media reports, etc)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	40
Total	90	90	100	90	0	0	0	

Financial *in Later Life*
SECURITY
A Cooperative Extension Initiative



***Guidebook to Help Late
Savers Prepare For Retirement***

Strategies to Increase Retirement Savings

- Increase retirement plan contributions
- Accelerate debt repayment and spend less
- “Moonlight” for extra income
- Invest assertively (more stock in portfolio)



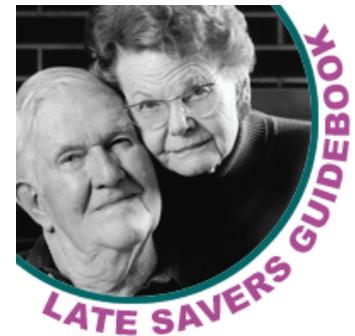
More Strategies to Increase Retirement Savings

- Maximize tax breaks
- Reduce investment expenses
- Diversify and dollar-cost average
- Invest in multiple savings plans
- Preserve lump sum distributions



Strategies to Stretch Retirement Income

- Trade down to a smaller home
- Move to a less expensive location
- Delay retirement
- Work after retirement
- Reverse mortgages and sale-leaseback
- Tax-efficient asset withdrawals



Military-Specific Savings Opportunities



Military Savings Programs

- *Military Saves*: Take the Pledge
- Briefings at military installations
- Thrift Savings Plan (TSP): <http://www.tsp.gov>
- Savings Deposit Program (SDP)
 - \$10k per deployment earning 10% annually
 - 10% adds up, even for short-term deposits

<http://www.dfas.mil/militarymembers/payentitlements/sdp.html>
- Civilian Plans: IRAs, SEPs, taxable accounts, etc.



SDP Growth Illustration

Ten Percent Adds Up!

The table shows the impressive gains from even short-term deposits to an account earning 10 percent, compared to placing it in a regular savings account or doing nothing.

Deposit Amt.	Interest Rate	Term	Earned Interest	Total
\$10,000	10%	10 months	\$857.91	\$10,857
\$10,000	4%	10 months	\$337.24	\$10,337
\$10,000	0%	10 months	\$0.00	\$10,000

Source: *Preparing Your Finances for Deployment:*

<http://www.saveandinvest.org/military-everyday-finances/preparing-your-finances-deployment>

Key Take-Aways

- Many U.S. households have financial “issues”
- Savings increases financial resiliency and likelihood of goal attainment
- Research findings inform savings knowledge
- There are many available savings strategies, motivational programs, and resource materials



Key Take-Away Applications

- Identify financial goals that require savings
- Review savings research studies
- Implement one or more new personal savings strategies
- Review savings motivational programs and resource materials



Go Forth and Save!

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Comments? Questions?



oneill@aesop.rutgers.edu
[@moneytalk1](#) on Twitter

Evaluation and CEUs/Certificate of Completion

The Personal Finance Concentration Area offers 1.5 credit hours from AFCPE and FinCert certificates of completion for today's webinar.

To receive a certificate of completion, please complete the evaluation and post-test at:

https://vte.co1.qualtrics.com/jfe/form/SV_37PL0hw7KykugS1

Must pass post-test with an 80% or higher to receive certificate.

Personal Finance Upcoming Event

Identity Theft: How to Reduce Your Risk

- Date: Tuesday, March 15, 2016
- Time: 11 Eastern
- Location: <https://learn.extension.org/events/2326>

For more information on MFLN- Personal Finance go to:

<http://blogs.extension.org/militaryfamilies/personal-finance/>



MILITARY FAMILIES LEARNING NETWORK

Find all upcoming and recorded webinars covering:

Personal Finance
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Family Development

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OF DEFENSE



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