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THE CREDIT UNION DIFFERENCE

More than 84 million U.S. consumers receive financial services from nearly 10,000 credit unions. Credit unions are cooperative financial institutions, owned and controlled by their members—people who are eligible to use their services. Credit unions serve groups that share something in common such as where they work, live, or worship. Credit unions are not-for-profit, and exist to provide a safe, convenient place for members to save money and to get loans at reasonable rates. As a credit union member, you can expect to earn more when you save and pay less when you borrow. Surveys consistently rank credit unions first among financial institutions in consumer satisfaction.

Many credit unions offer materials such as this to help you make informed consumer decisions. Check with your credit union to learn how it can help you.

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save to spend

What will you be spending your money on in the next few months, next year and beyond? Do you need to buy a laptop or a car? Or are you planning to travel, go to school, or rent an apartment?

The first step is to put your goals in writing. Then you can create a spending plan to give yourself enough money to meet your everyday expenses, while helping you save for all your goals.

5 steps to smart saving and spending

1. *Get a true picture of how you spend your money.* To help find where your money goes, save all your receipts or carry a notepad with you to jot down all purchases for at least two weeks. Then group your expenses into categories, such as

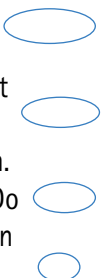
entertainment, transportation, food, clothing, and gifts. Figure out how much you're spending each week, month, and year.

2. *Make a list of your income.* Write down what you earn from your job, gifts, allowance, and any other source.

Calculate what you make each week, month, and year. If your income isn't steady throughout the year, estimate the annual total and average it per month.

3. *Evaluate your situation.* Do your income and expenses even out? Are you spending more than you're making? Or do you have money to spare?

4. *Create a spending and saving plan.* Figure out how much



My Goals

My short-term goals (3 months or less)

- New swimsuit, sandals, and shorts for vacation
- Front row concert tickets

My intermediate goals (3-12 months)

- Laptop with built-in DVD
- Airfare to Alaska to visit my aunt and uncle

My long-term goals (more than 1 year)

- Used car (50,000 miles, 3-4 years old)
- Apartment of my own (rent, utilities, insurance)



Save an emergency fund equal to six months of living expenses.

My Monthly Saving and Spending Plan

Build your own plan using this sample. Add or change the categories based on your life.

Money coming in

Job (after taxes) _____
 Allowance _____
 Gifts _____
 Other income _____
 Total income _____



Money going out

Fixed expenses

(same monthly amount)

Saving account _____
 Car payment _____
 Auto insurance _____
 Utilities _____
 Rent _____
 Tuition _____
 Other _____

Variable expenses

(amount varies monthly)

Gas _____
 Food _____
 Entertainment _____
 Medical _____
 School supplies _____
 Life insurance _____
 Clothing _____
 Gifts _____
 Charity _____
 Other _____

Total expenses _____
 Difference _____ (amount you save)

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you need to save each month to reach your goals. When you decide how you'll come up with this money. When making your plan, it's better to estimate that you'll spend a little more and make a little less than you think.

Now that you know your expenses and income, you can plan how much to save for your goals. Look for some easy ways to save, like brown bagging it for lunch or cutting back on entertainment or clothing. Remember, even saving \$1 a

day will give you \$365 a year to put toward your goals.

5. Put your plan into action.

For one month, try to make more or spend less. Once you reach a goal, review your plan and tailor it to fit your next savings goal. Your savings will give you the power to get what you want.

Interest is the amount of money you earn on your account balance.

• **Compounding:** Your initial deposit earns interest that is added to your account balance. Interest is then earned on that new balance. Interest may be compounded daily, monthly, quarterly, semiannually, or annually.

• **APY or Annual Percentage Yield:** APY represents the total amount of interest you receive. For savings accounts, it's based on a full year. For share certificates, it's based on a specified term.

Savings vocabulary

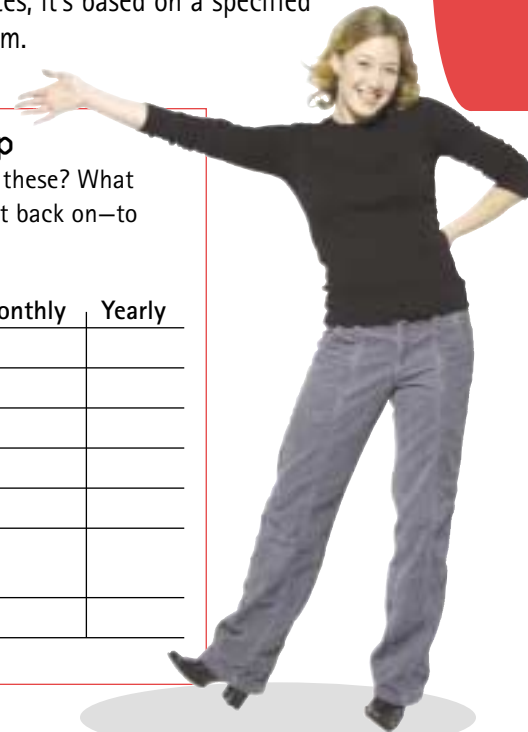
• **Interest:** The big advantage of a savings account is that your money is working for you. Earning interest, or dividends, which in a credit union is essentially the same thing.

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Little Things Add Up

How much do you spend on items like these? What could you cut from your budget—or cut back on—to save money?

	Each	Weekly	Monthly	Yearly
Soda				
Coffee				
Fast food				
Lunches				
CDs/DVDs				
List your own indulgences				
Total				



It Pays to Save

No matter what amount you can afford to save each month, it adds up. Here are examples at 3% APY. (Interest rates can vary based on many factors, including type of account and the economy. Check with your credit union for current rates.)

	1 YR	5 YRs	10 YRs
\$25 per month	\$305	\$1,620	\$3,500
\$50 per month	\$610	\$3,240	\$7,002
\$100 per month	\$1,220	\$6,481	\$14,009

Where to keep your savings

- *Savings* accounts keep your money safe and readily available. The most common type is a statement account that reports transactions to you monthly or quarterly. Credit union share savings accounts pay interest that is comparable to, or better than, the interest paid on savings accounts elsewhere.
- *Money market accounts*,

long you have to keep your money on deposit. These accounts generally pay higher interest than regular savings accounts because they typically require a minimum balance of \$1,000 or more.

- *Certificates* (called share certificates at credit unions or certificates of deposit at other financial institutions) generally pay higher

Check today's national average interest rates at www.bankrate.com



institutions, are a type of insured savings account. There's no requirement for how



interest rates than savings or money market accounts because you agree to leave your deposit for a certain amount of time. Certificate terms generally range from several months to five years. The longer the term, the higher the interest rate.

Certificates and sav

accounts are generally good options for goals you want to accomplish within a year. Two types of accounts are insured and generally offer quick and easy access to your money. If you are saving for a long-term goal, consider the investment options listed on page 24.

Strategies for saving success

- Discuss your saving and spending plan with family members, friends, or the staff at your credit union. They might notice things you've missed or offer some creative ideas based on their experiences.
- Review your income. If you've been working for the same pay for more than a year, consider asking for a raise or getting a different job. Be fair, but don't sell yourself short.
- Break down your expenses into as much detail as possible. For example, instead of budgeting a lump sum for clothes, go through your closet. List the new items you'll need for every

season and what each will probably cost. Can you sell your old clothes? Shop for next year's summer clothes at the end of the season sales?

- Avoid unnecessary temptation. Stay out of the mall and off merchant Web sites unless you are shopping with a purpose. Shop only with a list and stick to it.
- Slow down your spending. Leave extra cash at home, don't buy on impulse, and don't borrow from friends or get advances on your paycheck.
- Start the savings habit. Financial experts recommend that adults save at least 10% of their before-tax income. If that's too high, pick a dollar amount you can realistically

save each month and stick to it.

- **Save automatically.** When you have a job, take advantage of direct deposit and payroll deduction at your credit union. Here's how they work: With direct deposit, your entire paycheck is put directly into your account. Your paycheck starts working—earning dividends—right away, instead of waiting until you get around to making a deposit. Direct deposit saves you time and helps you avoid spending. With payroll deduction, you choose an amount of

money to be taken regularly from your paycheck to build up your savings account or pay off a loan.

- **Build an emergency fund.** For example: If you have a car, you'll need an extra cushion of savings to cover unexpected emergencies, such as car repairs, and unexpected expenses, such as insurance. When you're out on your own, experts recommend that you have an emergency fund equal to six months of living expenses.

Pay Yourself First

Pay Yourself First, or PYF, is a principle most successful savers use. It's a "bill" you owe yourself for saving. And it works because it's the PYF in your plan that helps you reach your goals quickly and painlessly.

Every time you get your paycheck or a cash gift, use payroll deduction to save some portion of it. Increase the amount you save every time you get a raise or pay off a loan.

Don't try to save too much too fast—keep enough money to enjoy yourself or you might get discouraged and not stick to your plan.

