

# American Saver

*You Can Build Wealth*

## America Saves Gets New Partner

Cooperative Extension — the publicly funded educational partnership of the U.S. Department of Agriculture, land grant universities, and county offices — has embraced America Saves as part of its Financial Security in Later Life initiative.

At a roll-out conference in March, some 250 Cooperative Extension leaders were urged to develop America Saves campaigns in their areas and were presented with several program alternatives. These ranged from signing up individuals as American Savers to organizing a local or state coalition to offer an array of savings services.

In return, America Saves will provide technical assistance and publications, paid for out of a Bank of America Foundation grant, as well as mini-grants to participating Cooperative Extension offices, to be drawn from grants funds contributed by Provident Financial.

A team of Cooperative Extension leaders led by Jane Schuchardt and including Elizabeth Kiss, Barbara O'Neill, Barbara Rowe, and Connie Kratzer worked closely with America Saves to develop the program alternatives.

Response has been excellent. As of mid-May, about a dozen programs had contacted America Saves coordinators to request assistance in developing a local or state program.

"Cooperative Extension is proud of its partnership with CFA to offer America Saves to individuals and families across the nation," Schuchardt said. "America Saves is a perfect transition from Extension's highly successful 'Money 2000' savings education program, which concluded by design at the end of 2000."

## CHARLOTTE SAVER

# Thinking about the future

When Charlotte Saves celebrates its official launch in September, it will do so with a core of Savers already enrolled through its pilot project. One of those is Gina Esquivel.

Ms. Esquivel got involved in the program when her employer, Catholic Social Services, became a sponsoring organization for the campaign and named her as a site coordinator. But the decision to enroll as a Saver was her own.

In working on the project, "I realized I have to have some guidance, some coaching in what my financial decisions are," she explained. "As a young professional, I need to start thinking about where I want to be in my future."

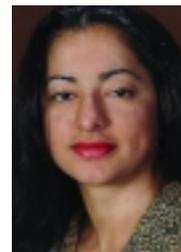
Ms. Esquivel set herself two goals — getting rid of her credit cards and starting to set aside a modest amount of savings each month. The first step toward accomplishing those goals was realizing she needed to change her spending habits. "I'm not a big saver, and I am a big spender. I had to do a very strong confrontation with myself. 'Okay, Gina, you have to be smarter and start saving instead of spending.'"

While she was aware of other resources in the community she could have sought out, it made a difference that the campaign came to her, she said. "Sometimes you need to be reached out to."

With just two months in the program, Ms. Esquivel obviously cannot yet point to major financial gains

since becoming a Saver. But she does see a real change of attitude. "I just became more careful with my money," she said.

The motivational workshops — and as a site coordinator she has seen several — have played a role. "The motivational workshops made me aware of the possibility of saving.



*I can make the decision about where I want to be financially.*

Gina Esquivel

Before, I always felt like I would never make enough money to save."

Hearing other Savers discuss their problems and progress has also helped. "Either you don't want to be them, or you want to be them. It's positive and negative reinforcement at the same time."

Ms. Esquivel expects her experience as a Saver to make her a better site coordinator, because it has given her a real belief in the program. "When you feel the energy inside, you can project that to other people." Instead of just talking about something that is abstract or foreign, "I can tell them how it makes me feel" knowing that "I can make the decision about where I want to be financially."



## Savings Strategies

# Building Wealth at Work

One of the easiest ways to build wealth quickly is to take advantage of a workplace retirement plan where your employer matches your contributions on a dollar-for-dollar basis, automatically doubling your money.

## REPLACING PENSIONS

Up until 1990, most workplace retirement plans were traditional pensions, which provided a “defined benefit,” or regular monthly payment, during retirement years. In recent years, however, employers have replaced many of these pensions with 401(k) and other “defined contribution” plans.

Unlike traditional pensions, these plans require participants to make their own contributions. Many employers match these contributions, however, often on a dollar-for-dollar basis. That means, for each dollar employees contribute up to a certain percentage of their salary, the employer contributes an additional dollar.

## SAVINGS GROW QUICKLY

The following table shows how rapidly these savings can grow. It is based on a \$900 employee contribution (three percent of a \$30,000 annual salary) with no annual increases, an equal employer match, and a five percent annual savings yield.

Despite personal contributions of only \$27,000, this worker manages to save well over \$100,000 over several decades. That’s money that would be

No. Years	Total Contributions By Employee	Total Contributions By Employer	Total Accumulation (5% ANNUAL yield)
1	\$ 900	\$ 900	\$ 1,850
5	4,500	4,500	10,243
10	9,000	9,000	23,389
20	18,000	18,000	61,912
30	27,000	27,000	125,359

available after retirement to supplement Social Security benefits or, before then, as a source of a relatively low interest loan in an emergency.

## MISSING OUT ON BENEFITS

The worst mistake workers make is not participating. Some employees who could participate in a workplace retirement plan with an employer match do not do so. Others do not contribute enough to take full advantage of the employer match. These employees are basically saying no to free money.

The most serious mistake participating workers make is to spend their retirement savings when they change jobs. Most employees with less than \$5,000 in a plan do just that. Not only do they end up having to pay taxes on the money they withdraw, but they lose the benefit of interest compounding.

The price for all these mistakes? The workers are far less likely to be financially prepared for retirement.

## Financial Market facts

### May 2002

Money market account	1.06%
1-year CD	2.23%
5-year CD	4.38%

### U.S. Savings Bonds

EE Bond	3.96%
I Bond	2.57%

### Mortgage Rates

30-year fixed rate mortgage	6.91%
15-year fixed rate mortgage	6.39%
1-year adjustable mortgage	5.26%

**Sources:** *The New York Times*, “Data Bank,” pg. BU 19, May 19, 2002 and [www.savingsbond.gov](http://www.savingsbond.gov), May 8, 2002.

## Family Wealth facts

Household retirement assets (1998 median) \$24,000

Households with any retirement assets (1998) 62%

Households with adequate retirement savings (2000) 56%

Households expecting lower retirement standard of living (2000) 59%

**Source:** 1998 Survey of Consumer Finances, Federal Reserve Board. Catherine P. Montalto, Retirement Savings of American Households, 2000.

## Options for Those With No Retirement Plan

About one-fifth of workers — often those who earn the smallest incomes or work for small employers — do not have access to a pension, 401(k), or other retirement plan.

If that includes you, try to encourage your employer to create a company plan. A variety of plans are available that are inexpensive and easy to administer. The U.S. Department of Labor provides good information about these options on its website at <http://www.dol.gov/dol/pwba/public/pubs/savings.htm>.

Employers who won’t set up a retirement plan may be willing to deduct money automatically from each paycheck and deposit it in a tax-deferred savings instrument, such as a traditional or Kemp-Roth IRA or a U.S. Savings Bond.

If not, it’s up to you to set up your own retirement plan. Many books, magazine articles, and websites are available to help you decide how much to save and how best to save it.

# A Quarter **Saved** is a Quarter **Earned**

**N**o one knows better than Savers how to find the extra dollar here and quarter there that, over time, add up to substantial savings. Here are a few of their savings tips.

Never spend a windfall. Take your income tax refund, that holiday money from your folks, the \$16.35 over-payment check from your telephone company and any other extras and save 'em.

KYNETTE CAMPBELL  
KANSAS CITY, MO

Use a credit card that features a cash-back option at the end of each year. Use the card to buy groceries and other needed items each month. Just be sure to pay the balance at the end of each month. That way, you never pay any interest on the account, but you get money back at the end of the year.

REGINA WAGSTAFF  
CHARLOTTE, NC

Wash your car yourself instead of going to the car wash. You can purchase a nozzle for the end of the hose that will not let the water run unless you turn it on. This way you can save even more money, by not letting the water just run in your driveway.

CHARLENE MOLCSANY  
FAIRVIEW PARK, OH

Keep a small notebook of all your expenses — especially the small stuff. It helps you see where all your money is going and spend less.

PATTY LYNCH  
PARMA, OH

I save up to \$50 a month by using coupons from the newspaper, using the grocery coupons delivered to my home, and by watching for sales. That gives me extra buying power for other things I really need.

SALLY COLSTON  
CLEVELAND HEIGHTS, OH

## Send your savings tips to:

American Saver, c/o Consumer Federation of America Foundation, P.O. Box 12099, Washington, D.C. 20005-0999.

If we select your tip for publication, we will send you a \$50 EE Series Savings Bond (initial value \$25). Please include your name, mailing address, and phone number so we can contact you to arrange for your savings bond.

There are many ways to conserve water and lower your water bill. Repair leaky faucets promptly and install aerating, low-flow faucets and showerheads. The biggest water user in a home is typically the toilet. Install low-flow toilets, or place a plastic container filled with water or gravel in the tank of your conventional toilet, making sure that it doesn't interfere with the toilet's flush mechanism.

LEE MAJOR  
KANSAS CITY, MO

## Savings**Quiz**

1. What is the benefit of participating fully in a retirement program at work?
  - a. Automatic payroll deductions make it easier to save.
  - b. Taxes are not paid on these payroll deductions.
  - c. Employers frequently match your contributions.
  - d. All of the above.
2. The savings option that is most likely to provide you with an annual return above 100 percent is:
  - a. Purchase of lottery tickets.
  - b. Purchase of stocks through mutual funds.
  - c. Purchase of a home.
  - d. Contributions to a workplace retirement plan with a dollar-for-dollar match.
3. Over 20 years, the total savings accumulation on \$1,000 annual employee contributions, with a dollar-for-dollar employer match and a six percent annual return is about:
  - a. \$30,000
  - b. \$45,000
  - c. \$60,000
  - d. \$75,000

The answer to all three questions is d.

## American **Saver**

American Saver is the quarterly newsletter of the America Saves campaign, a national program to encourage and assist Americans to save and build wealth more effectively.

The campaign is coordinated by the non-profit Consumer Federation of America Foundation (CFAF), supported by the Bank of America Foundation and other funders, and advised by dozens of non-profit, government, and business groups.

Questions about how to start a local savings campaign in your area should be directed to: Nancy Register, America Saves, c/o CFAF, P.O. Box 12099, Washington, D.C. 20005-0999; 202-387-6121 (phone); 202-265-7989 (fax); nregister@consumerfed.org.

American Saver Editor: Barbara Roper

# News

## FROM LOCAL CAMPAIGNS

**Kansas City Saves** (MO) recruited 400 Savers through a "Home Buying Fair" co-sponsored with the Kansas City Neighborhood Alliance and the Fannie Mae Foundation. Targeted at first-time home buyers from lower income families, the fair included educational workshops, credit counseling, and free credit reports.

The Hotel and Restaurant and Employees Union Local 10 has persuaded several employers to incorporate **Cleveland Saves** (OH) services in their labor contracts. In cooperation with the union and the savings campaign, employers will offer employees time off to participate in motivational workshops and one-on-one sessions with wealth-building coaches.

More than 100 area leaders, including the Deputy Mayor of Indianapolis and the Indiana State Treasurer, launched **Indy Saves** (IN). Planned by several dozen of these leaders, the campaign seeks to enroll more than 1000 Indy Savers in the coming year.

**Northwood Saves** (WI) launched during the first week of May. It preceded its launch with a successful pre-launch celebration in which

more than 20 community organizations participated. Several representatives of local media covered the event, including one TV reporter who signed up as a Saver herself.

**Charlotte Saves** (NC) began piloting services in preparation for a September campaign launch. Nineteen workshops were held, and the first two savings club were organized — by the United Way and Department of Social Services. Campaign site coordinators participated in a competition to develop the most creative marketing plan.

**Gadsden Saves** (FL) has begun recruiting Savers in preparation for its planned August kick-off.

More than 40 community leaders participated in the fourth planning meeting for **Milwaukee Saves** (WI). They have developed a 2002 timeline for the pilot phase of the campaign.

Nearly 50 community leaders, including a former Washington governor, attended a breakfast meeting to begin organizing a **Sound Saves** (WA) campaign. Participants volunteered to be part of a working group that would plan a pilot program to begin later this year.

More than 30 community organizations have been planning **Arizona Saves**, which is scheduled to launch its pilot project in September. The two largest credit unions in the state and three of the largest banks have committed to developing related financial products.

The organizing committee for **El Paso Saves** (TX) — which includes the YWCA, the Chamber of Commerce, the Texas Housing Authority, the Office of the Texas Secretary of State, University of Texas-El Paso, and representatives of Colonias — have held several organizing meetings. They are planning focus groups to test campaign messages and services.

At a meeting of 100 area leaders co-sponsored by the Philadelphia Federal Reserve and held at their offices, the Delaware Valley Consumer Credit Counseling Services announced that they would be organizing a **Philadelphia savings** (PA) campaign.

Okaloosa County (FL) has scheduled its first **Okaloosa Saves** planning meeting for the end of June.

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*You Can Build Wealth*

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