

# American Saver

*You Can Build Wealth*

## Over 30,000 Enroll as Savers

More than 30,000 people – over 13,000 in the past year – have enrolled as Savers. Each Saver has developed a savings goal and a specific plan for achieving this goal.

The most popular goal is building an emergency fund, selected by 23 percent of Savers. Next most popular are investment, chosen by 19 percent, and home ownership, selected by 18 percent. Two other popular goals are debt repayment (14 percent) and retirement savings (10 percent).

Since the beginning of last year, 2,800 individuals have enrolled as Savers through national initiatives, including Black America Saves, Hispanic America Saves, and Military Saves.

The remaining 12,000 have enrolled through local or state campaigns. Among these 12,000, 1,868 enrolled as Tennessee Savers, 1,673 as Georgia Savers, 1,345 as Philadelphia Savers, 1,118 as Cleveland Savers, 1,105 as Arizona Savers, and 1,021 as El Paso Savers. The remainder enrolled through one of 25 other local campaigns currently enrolling Savers.

Local campaigns are being offered and supported by more than 1,000 organizations. These include more than 100 financial institutions, which are offering no- or low-balance savings accounts.

Several new local and state Saves campaigns will be launching in the coming months, including Texas Saves, Air Force Saves, and North Carolina Saves. In addition, New York State Saves and Miami Saves plan to launch their pilot campaigns in the near future.

## NORTH CAROLINA SAVER

### Choosing to Save

Barbara Johnson never thought of herself as someone who could save. “I never thought I could afford a big ticket item,” she said. “I just never thought of saving before.” Now she’s bought a house, created an emergency fund, paid down her debts, and started putting money in a 401(k) plan. She credits Saves with giving her “the empowerment of knowing I could save.”

Ms. Johnson came to the program when she began saving to buy a home through the Individual Development Account program offered by Experiment in Self-Reliance and Consumer Credit Counseling Services. The program had affiliated with Saves because they wanted participants to continue their saving habits after their IDA goal had been achieved.

That’s just what Ms. Johnson did. After she saved enough for a down payment on a house, she made putting money in an emergency fund her second goal. Before that, “emergency expenses would break me,” she said.

Saves also helped her develop a plan for her finances. “I was able to talk to someone and realize I could do it,” she said. She paid down her debt by temporarily working overtime. “Without a plan it was too overwhelming.” Saves also made her aware of savings opportunities she had never looked into before, like the “free money” she was giving up by not participating in her employer’s 401(k) plan.

The biggest challenge was having “the discipline to start saving ... to actually put the money into the bank,” she said. “If you’re not accus-

tomed to saving, it is hard to get it there. It takes a lot of discipline to do it and leave it.” She got around that by having money directly deposited into her account, “because it is much easier to not miss the money if you don’t have it in your hand.”

Now she teaches her children the lessons she has learned. Each of her



*“You have to choose to save.”*

Barbara Johnson

three children has a savings account. When they get money for presents, they save a portion of it in their accounts. “They make savings a competition of who can save more ... and make an event out of going to the bank. It really creates an excitement to save,” she said. “Saving is going to be second nature to them. They won’t have to learn it as an adult as I did.”

Ms. Johnson also shares what she has learned as a motivational speaker for North Carolina Saves. She wants people to know that “saving can be for everyone.” Her advice to Savers is to “be persistent. Be sure to pay yourself first. It is in your best interest. You have to ask yourself, ‘Am I saving this money for me, or am I going to buy a soda? Is my saving goal worth giving up this Coke? Yes, my goal is more important.’”

Ultimately, it comes down to this, she said. “You have to choose to save.”



## Financial Market

# facts

### May 2005

Money market account	0.65%
1-year CD	2.67%
5-year CD	3.78%

### U.S. Savings Bonds

EE Bond	3.50%
I Bond	4.80%

### Mortgage Rates

30-year fixed rate mortgage	5.81%
15-year fixed rate mortgage	5.38%
5-year adjustable mortgage	5.23%

**Sources:** *The New York Times*, "Data Bank," pg. BU 13, May 8, 2005 and [www.savingsbond.gov](http://www.savingsbond.gov), May 13, 2005.

## Family Wealth

# facts

### Consumer Debt

(March 2005 in billions)

Revolving	\$800.5
Non-revolving	\$1,326.5
Total	\$2,127.0

### Concerned Households

(November 2004)

Paying off consumer debt	38%
Paying off credit card debt	22%

### Personal Bankruptcies

2004	1,563,145
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**Source:** Federal Reserve Board, CFA-CUNA Holiday Spending Survey 2004, American Bankruptcy Institute.

## Savings Strategies

# Getting Help Paying Off Debts

Nothing can side-track a savings plan faster than the high costs of consumer debt. It comes as no surprise, then, that paying off debts is a leading goal among Savers. Nearly 15 percent list debt repayment as their goal.

### Do you have a debt problem?

If you are often late in paying your bills, or if you are behind in paying off some of your debts, you probably already know you have a debt problem. Even if you are paying all your bills on time, however, you still may have a problem if your debt payments are eating up too much of your income. Add up all your debt payments except for mortgage and car payments. If your payments add up to a quarter of your after-tax income or more, you may have a problem.

For some, developing and sticking to a budget may be all they need to conquer their debts. The wealth coaches available through local campaigns can help Savers develop a realistic budget that includes a plan for paying off debts. Others, however, may benefit from credit counseling.

In addition to budgeting advice and educational materials, credit counselors offer credit card consolidated payment plans, known as debt management plans. Under a debt management plan, you promise to make one payment to the credit counseling agency for all your credit card bills. In return, credit card companies will often reduce the amount of interest you have to pay and eliminate some of the fees you may owe.

### Are you a candidate for a debt management plan?

A debt management plan isn't for everyone. For example, it won't lower your secured debts, like mortgage or car payments. Also, if your debts have become completely unaffordable or you are in danger of losing your home or your car, bankruptcy may be your best option.

The best candidates for debt management plans are people who have a problem with unsecured debt, such as credit card debts, but can still afford to make payments on those debts and can also afford to pay on higher priority debts, such as house payments, rent, and utilities. For these debtors, a debt management plan may lower their monthly payments and reduce the time it takes to pay off their debts. However, be sure to get a specific estimate of the cost savings that creditors will provide you and consider

any fees you will have to pay to the credit counseling agency.

### How do you find a good credit counseling agency?

Credit counseling agencies are not all created equal. While many good agencies exist, some are being investigated or sued for deceptive practices.

Don't just respond to advertising. Ask friends and family for referrals or consult the Yellow Pages to come up with a list of several agencies. Then call your local Better Business Bureau or your state Attorney General's office to rule out any that have been the subject of multiple complaints. Non-profit status or membership in a trade group does not guarantee quality or affordable fees.

Look for an agency that offers a variety of counseling and educational options, not just enrollment in a debt management plan. Ask them directly whether they will tell you if you should consider options other than a debt consolidation plan and whether they offer one-on-one counseling after you enroll in a debt management plan.

### Pay Careful Attention to Costs

Be sure to check out all the costs. Most agencies offer similar "deals" from creditors to cut your debt, but their fees can vary greatly. So find out the monthly fee and what the agency charges to set up your account. If the set-up fee for a debt management plan is more than \$50 and monthly fees are more than \$25 to \$35, or if the agency is reluctant to talk about specific fees, take your business elsewhere. Find out if the fees are voluntary, or if they offer lower fees for customers in serious financial hardship. Get a specific quote on costs in writing.

You also need to know something about the employees you will be working with. Ask if they have taken courses in subjects like credit, budgeting, and savings. Ask if they are paid more if they sign you up for a debt management plan, and consider going elsewhere if the answer is yes.

Make sure the credit counselor carefully evaluates all of your debts, not just your credit card bills. They should look at your pay stubs and bills before recommending a credit counseling plan to you. If the agency offers you a debt management plan in less than 20 minutes, they haven't spent enough time.

Taking the time to shop around can help ensure that your debt problem doesn't turn into a credit counseling problem.

# 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.

To save money on heating and cooling costs, we take advantage of the Time of Use Plan offered by the power company. This plan gives participants lower rates during off-peak usage times. I only wash laundry during off-peak hours, and I wash all laundry except white clothes in cold water. We have also enrolled in the managed payment plan, which averages monthly heating and cooling costs so that you pay a fixed payment each month. Knowing exactly what the electric bill will be each month helps a lot when budgeting.

GWENDOLEN J. LEE  
PHOENIX, AZ

We women who like to buy makeup at the cheaper drug stores never know how the colors look on us until we get home, because these cosmetics are pre-packaged. One way our group managed to recycle perfectly new but unsuitable makeup was to hold gatherings quarterly to do a makeup exchange and help one another find the right colors from the combined collection. We serve food, catch up on events, and save money.

MANSURA KARIM  
PHILADELPHIA, PA

I learned this savings tip from a wealthy customer. She never paid for her purchases with a \$5 bill but instead used a larger bill and accepted her change in fives. She saved all \$5 bills and never spent them. Instead, she deposited them to savings each month.

SUSAN ARTEAGA  
EAGLE RIVER, WI

Use cash only. Every week I give myself a set cash allowance to spend on groceries, gas, and fun. When that money is gone, I'm done spending for the week. I know paying at the pump with a credit card is so much more convenient, but it helps to see the cash and know your limits. Using a set amount of cash also forces you to seek deals (i.e. coupons). You'll be amazed at how far you can learn to stretch a dollar. Any leftover money from the week goes into an envelope to be used for emergency car repairs. And then I start all over again.

REBECCA CARNEY  
CLEVELAND, OH

Go dutch with a friend on quantity items at the Dollar Store.

TONYA N. SHIPP  
PHILADELPHIA, PA

My community requires residents to pay for their own trash pickup. My neighbor and I share one trash can, and we split the cost for one trash pickup. As a result, I save almost \$500 a year, which I then apply toward the principal on my home mortgage.

MICHELE KOCOUR  
PARADISE VALLEY, AZ

As our family has grown, we found the cost of buying cards for birthdays and special celebrations increasingly expensive. By using my computer to print my own greetings on construction paper or card stock, I have been able to save over \$50 a year. I also save the Christmas cards we receive and use them to make gift tags for Christmas gifts the following year.

JOAN ESTES  
WHITTIER, CA

I wash any glass, mirrors, windows, etc. with one cup white vinegar and one-half cup ammonia and wipe them off with old newspa-

## Send your savings tips to:

American Saver, c/o Consumer Federation of America, 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.

pers. It not only saves on commercial glass cleaner and paper towels, it does a better job of cleaning with no smudges or streaks.

CLAIRE BAUM  
FREEVILLE, NY

I use the local library for free computer classes and Internet use to avoid unnecessary expenses with phone dial-up services.

AGUSTIN MARTINEZ, JR.  
BRYAN, TX

## 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 (CFA), supported by national foundations, and advised by dozens of non-profit, government, and business groups. A generous grant from the New Century Financial Corporation supports the publication and distribution of the *American Saver*.

Questions about how to start a local savings campaign in your area should be directed to: Nancy Register, America Saves, c/o CFA, 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

**New Century Financial Corporation** has agreed to provide a second year of support for the *American Saver*. We at America Saves appreciate their continued generosity.

*Note: This is not an exhaustive list of the activities of all America Saves sites, but rather a sampling of activities from several of the local campaigns. For a more complete list of America Saves campaigns, be certain to visit our website at [www.americasaves.org](http://www.americasaves.org).*

**Air Force Saves** is scheduled to launch on June 14 at Eglin Air Force Base in Florida. The launch will feature more than 100 events across the base. Dave Ramsey, host of a nationally syndicated radio call-in show and author of *Total Money Makeover* and *Financial Peace*, will conduct a live remote broadcast.

**Arizona Saves** held its first Roll Your Change Week in April. The week was kicked off with television and radio spots and promotions at a Diamondbacks baseball game and at Women's Expo with roughly 80,000 in attendance. Eleven financial institutions participated in the event.

**Champaign County Saves** (IL) has scheduled its first round of workshops for its pilot program at eight sites. Speakers and wealth coach volunteers have been trained to conduct the workshops.

**Charlotte Saves** (NC) is being featured in the PBS television show *Simple Living*. The show covers four core topics, one of which is personal finance. It focuses on how Charlotte Saves helps motivate people who may not think they can save and gives them the resources to succeed financially. It also discusses tips people can use for saving money and paying down debt.

**Cleveland Saves** (OH) has enrolled 6,000 Savers and has set a new goal of enrolling 2005 Savers in 2005. The campaign newsletter ran a special edition featuring information about free credit reports and how to get them.

**Milwaukee Saves** (WI) participated for the third time in the Milwaukee Money Conference in April. More than 500 people attended the event. Milwaukee Saves offered a free credit report counseling booth. They processed more than 120 requests for credit reports and counseled 30 attendees. They also gave away a \$100 savings bond donated by US Bank, five free tool loan memberships, donated by Neighborhood Housing Services, and many other items donated by other participating organizations.

**Okaloosa Saves** (FL) hosted a quarterly seminar, "Financial Safety," during National Consumer Protection Week that focused on identity theft, frauds, and scams.

**Philadelphia Saves** (PA) has launched a transit advertising campaign with a grant from PNC Bank. The ads will run through June on both subway lines and bus routes. After just one month of advertising,

calls to the Saver hotline and sign-up through the campaign website had almost tripled. As of May 2005, the campaign had enrolled 2,120 Savers.

**Silicon Valley/South Bay Saves** (CA) has enrolled more than 1,700 Savers and recruited several new financial partners. The campaign has run ads in eight local newspapers promoting the campaign and thanking its more than one hundred community and financial partners.

**Tennessee Saves** officially kicked off its statewide campaign in April with a resolution in the Tennessee House of Representatives proclaiming April "Tennessee Saves Month." Banks and credit unions across the state will be displaying signs saying, "We are proud to be a Tennessee Saves partner." Activities to promote savings to both adults and children are planned in 60 counties across the state. These include Piggy Bank Pageants and Save Your Change events.

**Texas Saves** launched its pilot in the Dallas-Fort Worth metroplex in April. The campaign has recruited a number of statewide committee partners and has set a goal of recruiting 1,500 Savers by the summer.

[www.AmericaSaves.org](http://www.AmericaSaves.org)

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