

American Saver

You Can Build Wealth

More than 20,000 Enroll as Savers

By June 1, more than 20,000 people had enrolled as Savers.

Two-thirds of these Savers enrolled in a growing number of local Saves campaigns that now exceed 20. More than 5,000 alone had become Cleveland Savers. Of the remaining Savers, about half had enrolled as Black American Savers, and one-half as American Savers.

Each of these Savers developed a wealth-building goal and plan to achieve the goal, then made a commitment to carry out the plan. More than one-quarter of all Savers selected creating an emergency savings fund as their wealth-building goal. Other popular goals are debt repayment, home ownership, and retirement.

Monthly savings goals were smaller for those enrolling locally rather than nationally. For example, Cleveland Savers tried to save an average of \$54 monthly for emergency savings, \$84 for home ownership, and \$101 for retirement. By comparison, American Savers tried to save an average of \$110 for emergency savings, \$247 for home ownership, and \$306 for retirement.

Several factors may explain these differences. Certainly one is discretionary income. In all likelihood, the higher the monthly savings goal, the higher the family income on average. A second factor may be that those enrolling as American Savers had to take much personal initiative to do so, which may reflect a particularly strong commitment to personal savings.

As the America Saves campaign has expanded, it has received growing recognition. In July, *USA Today* published a lengthy "cover story" on Cleveland Saves with photos and a sidebar on America Saves. In the same month, the annual report of the Heinz Foundation featured a cover story on Pittsburgh's Faith Saves campaign.

CLEVELAND SAVER

Getting Motivated to Save

Charles Ali didn't need Cleveland Saves to tell him he should be saving more, but it did help get him motivated. "I had a savings account, but I wasn't saving much. I knew the rules. I just wasn't accomplishing anything," he said.

An employee with the city water department, Mr. Ali heard about Cleveland Saves when it started a major initiative with the city government. Saves "helped me to put my thoughts together," he said. "I just jumped right into it strong and stayed with it."

Mr. Ali opened a second savings account so he'd have one for emergencies and one to save toward his goals. He has money automatically deposited to savings from his paycheck. That's important, he said, because without that "we'll always find some reason why we can't put that money in there."

In order to stay within his new budget, he said, "I just cut back on a lot of personal expenses, and it really helped out. When you stop doing all those things, it's like you get an immediate raise. When you start saving, it's addictive, and you hate to spend money," he added.

Like many Savers, he also collects his loose change and puts it in savings instead of buying lottery tickets, as he used to do. "That's just your everyday money," he said, "but it still adds up" – in his case to about \$130 every two months.

As a result of his efforts, Mr. Ali saved enough in his first year to "put a nice down payment on a car" and still have some money left over. Now he's

saving "the base money" he needs to open a bakery. "It's an incentive," he said.

What he has in mind is a small wholesale bakery with an emphasis on pastries for diabetics, which he plans to sell to hospitals and nursing homes. He's owned bakeries in the past, and wants to do so again "on a higher, more successful level."



"Saving is a long-term, forever project."

Charles Ali

His advice for other Savers is to be patient. "Saving is a long-term, forever process," he explained. He also recommends having a separate emergency fund, because "emergencies come up." You're less likely to get discouraged if you don't have to dip into your savings to pay for them, he said.

"Even if you do have to use your savings, don't be too disappointed," was his upbeat advice. "You're still alive. You can make more money."

He admits that not everyone is cut out to do the work involved in getting their finances in order. But "it is something that has to be done." If you aren't good at it, find someone who is to help you out, he said. "Find the help you need to accomplish your goals."

In the end, the key to succeeding at saving is "to really enjoy it," he said. "Knowing that you have money accumulating is just a good feeling."



Savings Strategies

Investing in an IRA

Retirement savings is a top priority for many Savers. Unfortunately, many do not have access to an employer-sponsored retirement plan, such as a 401(k) plan.

Even if your employer doesn't offer a retirement plan, you can still save for retirement, and get some tax benefits in the process, by putting money in an Individual Retirement Account (IRA).

WHO QUALIFIES TO MAKE IRA CONTRIBUTIONS?

Anyone who earns income (or receives alimony) can put money in an IRA. Couples can also put money in an IRA for a non-working spouse.

Each person can put up to \$3,000 in an IRA for the 2004 tax year, so long as your contributions do not exceed your earned income. Each year, you have until the April 15 tax filing deadline to make your IRA payment for the previous tax year.

There are two main types of IRA – traditional IRAs and Roth IRAs. In addition, those who are self-employed can put money in a SEP-IRA. Each has its own set of rules and offers different tax benefits. This article will deal with traditional and Roth IRAs.

Traditional IRAs are open to anyone up to the age of 70½. Money in a traditional IRA grows tax-deferred. In other words, you won't have to pay taxes on any earnings until you take the money out. That allows your money to grow faster than it would if you had to pay income tax each year on those earnings.

TRADITIONAL IRAS OFFER TAX DEDUCTIBLE CONTRIBUTIONS

Your contributions to a traditional IRA may also be tax deductible, which is an attractive feature for many people. That's because you get a portion of your IRA payment "back" immediately in the form of a lower tax bill.

If you are not eligible for an employer-sponsored retirement plan, you can make tax-deductible contributions to a traditional IRA. You can also do so if your income falls below certain levels, regardless of your retirement plan status.

In 2004, couples filing a joint tax return who report adjusted gross income of up to \$65,000, or singles with income up to \$45,000, are eligible to make fully deductible contributions to a traditional IRA. In addition, taxpayers with incomes slightly above those limits – \$75,000 for couples and \$55,000 for singles – can

make partially deductible contributions. When you put money in a traditional IRA, you can't get it out before you reach age 59½ without paying a penalty, although there are exceptions. Some people consider this a disadvantage of traditional IRAs, but it can help keep your retirement savings on track.

Once you start taking money out of a traditional IRA in retirement, you will have to pay ordinary income tax on any earnings and on your tax-deductible contributions, but no federal taxes on withdrawals of non-deductible contributions. Depending on where you live, you may have to pay state taxes on those withdrawals.

ROTH IRAS OFFER TAX-FREE WITHDRAWALS

The benefits of Roth IRAs are almost exactly opposite those of traditional IRAs.

You can't make tax-deductible contributions to a Roth IRA. On the other hand, the money you put in a Roth IRA grows not just tax-deferred, but tax-free. In other words, you won't have to pay any federal taxes, or state taxes in most states, on your earnings when you take money out, provided you meet certain requirements. You are also less likely to have to pay a tax penalty if you withdraw money early from a Roth IRA.

There are no age limits for contributions to a Roth IRA, so long as you have earned income. On the other hand, there are income limits. However, those limits are quite high. Singles who report adjusted gross incomes of up to \$95,000 in 2004 and couples with incomes up to \$150,000 qualify for a full contribution. Taxpayers with slightly higher incomes – \$110,000 for singles and \$160,000 for couples filing jointly – can make partial contributions.

WHERE CAN YOU OPEN AN IRA?

Virtually all major financial services companies – such as banks, brokers, insurance, and mutual fund companies – offer IRAs and make it easy to open an account.

A reputable mutual fund company that offers a wide selection of funds, low costs, and reasonable minimum investment requirements, is a particularly good option for many. Many of the top companies also offer excellent educational materials to help you pick the best funds for you.

Regardless of where you decide to open an account, your retirement savings will get a real boost if you commit yourself to making annual contributions an IRA.

Financial Market

facts

July 2004

Money market account	0.45%
1-year CD	1.53%
5-year CD	3.59%

U.S. Savings Bonds

EE Bond	2.84%
I Bond	3.39%

Mortgage Rates

30-year fixed rate mortgage	6.11%
15-year fixed rate mortgage	5.50%
1-year adjustable mortgage	4.35%

Sources: *The New York Times*, "Data Bank," pg. BU 11, July 18, 2004 and www.savingsbond.gov, July 21, 2004.

Family Wealth

facts

Assets Held in Individual Retirement Accounts (2003)	\$2.98 trillion*
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Number of U.S. households that owned an IRA in 2003	45.2 million
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Percentage of U.S. households that owned:	
a traditional IRA	33.3%
a Roth IRA	14.6%
an employer-sponsored IRA	7.5%

* estimated

Sources: *2004 Mutual Fund Fact Book*, the Investment Company Institute.

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

No 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 stamps and late fees, pay your bills online. You receive an email when a new bill arrives. I always schedule payments immediately and earmark additional payments to coincide with future paydays. I subtract the money from my checkbook immediately to make sure the money is available for the scheduled payment.

KATHY HOOVER
CROFTON, MD

I love those fancy frozen coffee drinks at the premium coffee houses. But who can afford those daily? Even a few times a month gets steep. Here's my money-saving recipe for a Mocha Frappe. The night before, brew a 4-cup pot of strong coffee or espresso, if you prefer and have the machine. Half the coffee gets frozen overnight in an ice cube tray. The other half gets chilled in the refrigerator. In the morning, put half the chilled coffee in your blender. Add a packet of hot cocoa mix, a little extra sweetener, if desired, and a splash of cream or evaporated milk or a scoop of vanilla ice cream. Blend until smooth. Add three to five of the coffee cubes and pulse the blender until the ice is crushed and blended. Pour into a tall glass, add a straw, and enjoy a fabulous, faux Frappachino without the high cost.

MARIETTA CRAPPS
CLEVELAND, OH

Staying within my budget was an ordeal for me, especially when grocery shopping. My son's school had a fund-raiser selling gift certificates for local stores. I purchase the certificates in certain denomi-

nations and use those to do my grocery shopping. This has been working great for me. I leave my wallet in the car so I won't be tempted, then I take my certificates, my list, my calculator, and my coupons with me every time I go shopping. I always try to stay below the amount of the certificate by \$4 to \$5, because there is nothing more embarrassing than to reach the check out and realize that you have gone over and have to put items back.

TERESA L. FORREST
INDIANAPOLIS, IN

Don't be afraid to at least try the store brands. Often times it's just as good as the brand names, and about 30 percent cheaper. If you have some extra time on your hands, make it a point to visit two grocery stores to compare sales and prices.

JAMES WALTERS
HAYWARD, CA

If you drink bottled water regularly, buy the bottled water in bulk at a wholesaler. The average cost of a pint of water is about 20 to 25 cents, as opposed to a dollar at the retail stores. I recycle the bottles by filling them up with filtered water from my house. My fiancé will use the empty bottles by filling them with iced tea he makes at home, so he'll have a refreshing beverage to take with him in the car, instead of stopping at a gas station and spending \$1.50 or more.

JENNIFER CARR
LAKEWOOD, OH

The Sunday newspaper usually is thick with sale pages for the local stores, making it easier to look for items I need that are on sale from my living room. Often what happens is that by the time I get to the store within the appropriate time period, the item has already been sold out. When this happens, I approach the cashier or manager and ask for a "rain check" so that

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.

I can get the sale price once the item is restocked. The few minutes it takes to have the rain check issued pays off.

MANSURA KARIM
PHILADELPHIA, PA

Why waste money on "disposable" cutting boards? I buy two cutting boards and use one for meat and the other for veggies, etc. I then disinfect after using them.

DEBRA YARASHUS
POTTSVILLE, PA

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

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.

Utah Saves has scheduled its first working group meeting for this fall. The Salt Lake branch of the Federal Reserve Bank of San Francisco has offered to host campaign events and meetings.

Silicon Valley/South Bay Saves has begun holding bilingual workshops (in Spanish and Vietnamese) at locations throughout the Valley. The campaign met its pilot goal of enrolling 600 Savers.

San Diego Saves plans to begin training motivational speakers and wealth coaches in September.

Philadelphia Saves is reaching out to faith-based groups. The campaign had enrolled 1,500 Savers as of June, meeting its goal for the entire year.

Okaloosa Saves (FL) is beginning its Teach a Child to Save project. Participants, who are encouraged to become Savers and make savings account deposits, will have a chance to win a \$100 savings bond. The campaign has enrolled 1,500 Savers.

Starting in August, two local radio stations will begin airing the **Northwoods Saves** (WI) Money Watch program.

Milwaukee Saves continues to add new partners and new Saves sites, including local employer Alexian Village, which offers an employer-assisted housing program.

The **Kansas Saves** campaign in

Sedgwick County was launched Memorial Day weekend at a Wichita Wranglers baseball game. The launch was announced in radio spots, and 30 area McDonald's restaurants have agreed to display campaign posters and brochures.

Kansas City Saves presented its home buyer education seminar at Richards-Gebaur Marine Corps Base with support from Commerce Bank of Kansas City. Enlisted and civilian personnel attended the seminar, at which 25 new Savers were recruited.

With a new program coordinator, **Indy Saves** has set goals of establishing 24 new sites and increasing the number of enrolled Savers to more than 1,200 by the end of the year.

Gadsden Saves (FL) has added its first Saves site, Beaulah Saves, and recently enrolled 16 new Savers. The campaign completed a week-long "Money Camp" in which 20 youths participated.

Faith Saves was launched earlier this year in Pittsburgh, with Sen. Rick Santorum and representatives of Fannie Mae and Countrywide Home Loans participating. Building United will work with area churches to provide congregants with education and motivation to help them save for home ownership and wealth building.

The **Columbus Saves** (GA) campaign is launching a 10-week "Count Up to Wealth" campaign, which will

culminate in a Money Counts seminar, sponsored by Georgia Secretary of State Cathy Cox.

Cuyahoga County is increasing its participation with **Cleveland Saves**. Meanwhile, the campaign has begun planning for its second annual "Roll Your Change Week," with a goal of generating \$1.5 million in deposits.

Bank of America has pledged \$25,000 to provide operational support for **Charlotte Saves**. The campaign has begun outreach to the Latin American community, by identifying the unbanked and providing both workshops and one-on-one coaching. As of June, it had enrolled 1,700 Savers.

Chattanooga Saves worked with volunteers from a local university, community college, and the Chamber of Commerce to provide a financial simulation experience for 5,000 high school students in which participants managed a monthly family budget.

Calhoun County Saves (AL) has established its first four Saves sites and has begun offering its monthly seminar/workshop series for enrolled Savers. The campaign has enrolled 110 Savers.

Arizona Saves, which has enrolled 718 Savers, recently sponsored a forum for leaders of the African American community to discuss initiating a campaign to promote saving and debt reduction.

www.AmericaSaves.org

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