

# Marriage and Money

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### Are you saving some of your income or barely getting by at the end of the month?

Would an emergency trip to the dentist or an unexpected leak in the plumbing wreck your budget? Couples with no savings or emergency fund frequently find themselves in a bind when unplanned expenses come from the blue. What's more, money problems can lead to other problems. That's why having a regular savings plan is so important.

This month's newsletter will help you establish savings goals, determine ways to save and decide how much to save to reach your goals.

Saving requires tough decisions. In order to reach savings goals, you may have to give up some things. What you give up depends on what you and your spouse value most.

Why save? Reasons for saving include (1) having an emergency fund equal to 3 to 6 months of your take-home pay; (2) having money for education; (3) having money for retirement; (4) having money for major purchases, vacations, or annual events; and (5) having money for seasonal or non-monthly expenses.

As you will see on page 3, there are many ways to save. However, the most important thing to remember about a savings plan is to keep it simple and steady. If you make saving automatic, it will be easier to stick with your program.

A plan for saving and investing is an important part of a household spending plan. Begin today to build your savings for a financially secure future.

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# Are You An Overspender?

## Where to Put Your Savings

Money needed to meet emergencies and planned short-term goals must be readily available and deposited into an account that is safe.

Most savers keep emergency money in a savings account or a money market deposit account.

Both of these accounts are federally insured and available through local financial institutions. Do not confuse money market deposit accounts with money market mutual funds. Money market mutual funds, although relatively safe, are not federally insured deposits. Both types of accounts are easy to open but do require a minimum deposit.

Check with your local bank, credit unions, financial advisor, etc. for more information.



To solve a problem, it must first be identified. Here are some signs of a chronic overspender. Check "yes," "no," or "sometimes" after reading each question.

	Yes	No	Sometimes
1. Are you still paying bills from purchases made a year ago?	___	___	___
2. Do you use credit cards instead of cash, even when the purchase is small and you have the money?	___	___	___
3. Is your checking account frequently overdrawn?	___	___	___
4. Do you race to get your paycheck to the bank before the checks you've written come through?	___	___	___
5. Are you often out of money by payday?	___	___	___
6. Have you stopped having, or adding to, a savings account?	___	___	___
7. Do you feel "out of control" when faced with a purchasing decision?	___	___	___
8. Do you juggle payments one month to the next, trying to keep your creditors satisfied?	___	___	___
9. Are your credit cards at the maximum credit line available to you?	___	___	___
10. Do you sometimes pay off a debt only to find yourself feeling free to spend more?	___	___	___
11. Would a small change in your income or an unusual expense throw your whole financial picture into chaos?	___	___	___
12. Do you hope your children will handle money better than you do?	___	___	___

If you answered "yes" more often than "no," you are probably an overspender. In order to get your finances under control, acknowledge the problem. If you are motivated, you can find ways to change your spending habits.

# Ways to Save

How can you save when you don't have a dime to spare? Below are some tips. Check the ones that you are willing to try.

- \_\_\_ 1. **Pay yourself first.** When you pay your bills, pay your savings bill by depositing the money in your savings account. Start small, a percent of take home pay/month, will grow rapidly and almost painlessly.
- \_\_\_ 2. **Use payroll deductions.** Have your employer deposit your savings directly into a credit union or bank account.
- \_\_\_ 3. **Save "bonus" income.** Save tax refunds, overtime pay, gift money, refunds, and rebates.
- \_\_\_ 4. **Save coupon money.** Save the amount you "save" by using coupons at the grocery store. If you save \$2 a week using coupons, put the "savings" (the money you did not spend) in your savings account.
- \_\_\_ 5. **Pay installments to yourself.** Once you pay off a loan (and if other loans are not overdue), continue to make "payments" to your savings account.
- \_\_\_ 6. **Collect loose change.** Empty your pockets and wallet of loose change and place in a jar. Once a month, deposit the change in your savings account.
- \_\_\_ 7. **Break a habit.** Every time you don't have a donut at coffee break or don't buy a soft drink, save the money you didn't spend.
- \_\_\_ 8. **Save lunch money.** Get up 10 minutes earlier and make your own lunch. Save money you would have spent on lunch.
- \_\_\_ 9. **Save money on sales.** Save the difference between the sale price you paid and the "full" price you would have paid if the item had not been on sale.
- \_\_\_ 10. **Have a "nothing week."** Once in a while have a week when you try not to spend any extra money. Save the money you would have spent.

## How to Save \$100 a Month

If both you and your spouse will make a commitment to save \$1.67 each day, by the end of the month, you'll have \$100. It's that simple.

\$1.67
x 2
-----
\$3.34/day
x 30
-----
\$100.20

## How to Save \$1.67 a Day

- Buy one less soda: 50¢
- Buy one less cup of coffee: 75¢
- Buy one less donut: 50¢
- Use a 50¢ coupon
- Drink water with your lunch – not tea or soda: \$1.25
- Have bills paid by bank drafts and save the postage: 39¢



## How Much to Save

How much do you need to save to reach your goals? The answer depends on: how much money you need, how much time you have to save the money and what interest rate you can earn on your savings. For example, let's say your goal is to take a vacation in three years. You think you'll need \$700, and you plan to save at your bank, which pays 3 percent interest. You can use the worksheet below to estimate the monthly savings you'll need.

Shop around for the best interest rate. In the example, if you could earn 4 percent at a credit union, you would need to save \$18.67 per month for the \$700 vacation – that's \$4.67 per week or just 62 cents a day.

# Savings Plan Worksheet

Goal	A Amount Needed	B When Needed (in years)	C Compounding Factor	D Yearly Savings (A x C)	E Monthly Savings (D + 12)
Vacation	\$700	In 3 years	.324 (3%)	\$226.80	\$18.90
Vacation	\$700	In 3 years	.320 (4%)	\$224	\$18.67
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

## Sinking Fund Factor\* Table (Annual)

Years	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%
1	1	1	1	1	1	1	1	1	1	1	1	1
2	0.493	0.49	0.487	0.485	0.483	0.48	0.478	0.476	0.473	0.471	0.469	0.467
3	0.324	0.32	0.317	0.314	0.311	0.308	0.305	0.302	0.299	0.296	0.293	0.29
4	0.239	0.235	0.232	0.228	0.225	0.221	0.218	0.215	0.212	0.209	0.206	0.203
5	0.188	0.185	0.181	0.177	0.173	0.17	0.167	0.163	0.16	0.157	0.154	0.151
6	0.155	0.151	0.147	0.143	0.139	0.136	0.132	0.129	0.126	0.123	0.12	0.117
7	0.131	0.127	0.122	0.119	0.115	0.112	0.108	0.105	0.102	0.099	0.096	0.093
8	0.112	0.109	0.104	0.101	0.097	0.094	0.09	0.087	0.084	0.081	0.078	0.075
9	0.098	0.094	0.09	0.087	0.083	0.08	0.076	0.073	0.07	0.067	0.064	0.062
10	0.087	0.083	0.079	0.075	0.072	0.069	0.065	0.062	0.059	0.057	0.054	0.051
11	0.078	0.074	0.07	0.066	0.063	0.06	0.056	0.054	0.051	0.048	0.045	0.043
12	0.07	0.067	0.062	0.059	0.055	0.052	0.049	0.046	0.044	0.041	0.039	0.036
13	0.064	0.06	0.056	0.053	0.049	0.046	0.043	0.04	0.038	0.035	0.033	0.031
14	0.059	0.055	0.051	0.047	0.044	0.041	0.038	0.035	0.033	0.03	0.028	0.026
15	0.054	0.05	0.046	0.043	0.039	0.036	0.034	0.031	0.029	0.026	0.024	0.022
16	0.05	0.046	0.042	0.039	0.035	0.033	0.03	0.027	0.025	0.023	0.021	0.019
17	0.046	0.042	0.038	0.035	0.032	0.029	0.027	0.024	0.022	0.02	0.018	0.016
18	0.043	0.039	0.035	0.032	0.029	0.026	0.024	0.021	0.019	0.017	0.016	0.014
19	0.04	0.036	0.032	0.029	0.026	0.024	0.021	0.019	0.017	0.015	0.014	0.012
20	0.037	0.034	0.03	0.027	0.024	0.021	0.019	0.017	0.015	0.013	0.012	0.011
25	0.27	0.024	0.021	0.018	0.015	0.013	0.011	0.01	0.008	0.007	0.006	0.005
30	0.021	0.018	0.015	0.012	0.1	0.008	0.007	0.006	0.005	0.004	0.003	0.003

\* The formula for the SFF is  $\frac{r}{(1+r)^n - 1}$  where the r is the interest rate and n is the number of years.

## NEXT MONTH: Managing Credit (Part 1)

Adapted with permission from University of Arkansas Division of Agriculture Cooperative Extension Service.

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