

# 'America Saves Week' can start financial stability

One of the best ways to take charge of your finances in today's uncertain economy is to accumulate a healthy savings account. Nobody wants to feel the stress of knowing that they are only a paycheck or two away from financial disaster because they lack money to fall back on when "stuff happens."

Specific examples of "stuff" include job loss, disability, a car breakdown, a sick child or pet, and other types of financial emergencies. Saving provides a financial "backstop" for life's uncertainties and increases feelings of security and peace of mind. Once an adequate emergency fund is established, savings can also provide the "seed money" for higher-yielding investments such as stocks, bonds, and mutual funds.

There is also evidence from a recent study by the Northwestern Mutual insurance company that savings is linked to increased happiness. Actually, what the study found was that people who are "planners" and do future-oriented things such as setting goals and taking steps (such as saving money) to achieve those goals feel happier and better about their lives than those who don't make plans. On a related note, the Consumer Federation of America found a strong relationship between having a spending and saving plans and maintaining emergency funds. Particularly for low-income individuals, those with a spending plan (budget) with goals were far more likely to have saved money for

emergencies than were those without a plan.

Economists and psychologists attribute findings like these to the sense of control that people have when they plan ahead and know what they need to do to get from where they are now to where they want to be. It is well established by research that people who feel a sense of control over life events are often happier, cope better, and are more resilient in times of stress than others. Conversely, people are especially unhappy in situations where they perceive themselves to have a lack of control.

Encouraging people to develop and implement a personal saving plan is the central focus of the America Saves program. The motto of America Saves ([www.americasaves.org](http://www.americasaves.org)) is "Build Wealth, Not Debt." 2009 also marks the third year of America Saves Week ([www.americasavesweek.org](http://www.americasavesweek.org)), an annual event that focuses attention on the benefits of saving. Throughout the country, there will be information and events designed to promote saving and help individual savers develop a personal action plan. This article is just one example of America Saves Week outreach. This year, America Saves Week is Feb. 22 to March 1.

America Saves is an example of a "social marketing campaign." This means that the messages associated with this program are designed to change people's behavior rather than

sell them a product or service, as is typical with most marketing messages. Just like the "Buckle Up for Safety" campaign several decades ago that got many people in the habit of wearing seat belts, America Saves seeks to get more Americans



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into the savings habit to improve their future financial security and that of the country.

The America Saves Week Web site has a wealth of resources to help you get started on the path to financial security. Included are monthly savings messages written by financial experts, success stories from individual savers, a savings knowledge quiz, and tools to assess your financial progress. You can also register online as an American Saver at [www.americasaves.org/enroll](http://www.americasaves.org/enroll) and receive regular newsletters from the non-profit Consumer Federation of America, the organization that runs the America Saves program.

So how do you get started as a saver or ramp up your current level of savings? Go for the goal. It's a whole lot easier to save for something specific than to save for savings sake. Here's an example: To calculate how much you need to save to achieve a goal, divide the amount you need to save or invest by the time (number of months) you have left to save. For example, let's say you want to save \$5,000 by next year for the down payment on a car. You'll need to put aside \$416.67 (\$5,000 divided by 12) a month, or \$96.15 (\$5,000 divided by 52) a week.

To download a goal-setting worksheet from Rutgers Cooperative Extension to calculate the savings required for short, medium-, and long-term goals in the future, visit the Rutgers Cooperative Extension Web site <http://njaces.rutgers.edu/money/pdfs/goalsettingworksheets.pdf>. Then take action to save what you need to reach your goals. For example, enroll in a 401(k) plan or have money automatically deposited into savings.

I recently had a magazine reporter question me about the wisdom of encouraging people to save in the current economy. The reporter's opinion was that increased saving (and, by extension, reduced spending) would just put more people out of work. I strongly disagreed. Programs like America Saves and America Saves Week provide people with options for saving or spending their money. Individuals need to make financial decisions based on their own individual circumstances.

Unfortunately, many people today have high debt balances and/or lack the recommended emergency fund of at least three months expenses in savings. Others are employed in industries where job stability is shaky or where massive layoffs have already occurred. In these situations, it is wise to increase your emergency reserves and pay off debt as quickly as possible. We are the middle of a terrible financial storm and you need a big rainy day fund "umbrella."

On the other hand, for those who have adequate savings for emergencies, job stability, and low or no debt, a recession can be an excellent time to spend money because prices are very attractive for many items such as clothing, vacation travel packages and cars. Again, people need to do what's best for them. No one consumer alone is going to change the economy by the way that he or she decides to spend or save money.

Regardless of your economic situation, consider becoming an American Saver during America Saves Week. The goal of America Saves is financial action. Start saving now and do it automatically, whether for an emergency or future needs and wants. America Saves is a movement to rebuild a culture of saving in the United States.

Remember, "Build Wealth, Not Debt."

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