

WINTER 2018

# CAMBRIDGE QUARTERLY NEWSLETTER

## **SAVING MONEY** **how? when? why?**

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mobile apps to help you  
save, bank and invest

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## **NO-SPEND CHALLENGE** **Can You Do It?**

A PERSONAL FINANCE LETTER PRESENTED BY CAMBRIDGE CREDIT COUNSELING

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# NO-SPEND CHALLENGE ESSENTIALS ONLY



## BE PREPARED

TEMPTATION WILL STRIKE! YOU MIGHT HAVE HAD A LONG DAY AND YOU'D RATHER BUY TAKE OUT. PLAN AHEAD FOR THESE DAYS BY KNOWING WHAT EASY MEALS YOU HAVE ON HAND, OR BETTER YET- PREPPING MEALS IN ADVANCE. ALSO, DON'T FORGET TO PURCHASE COFFEE, SO YOU CAN MAKE YOUR MORNING BEVERAGE AT HOME IF YOU NEED TO.

## CRAVING FOR SAVING?

According to a 2017 Nerdwallet study, if consumers weren't carrying credit card debt, many would put their money into savings. In fact, 57% said they would save for emergencies, and 50% would save for a future goal. There are any number of good reasons to save, whether for a vacation, a new automobile, retirement, or simply to build an emergency fund. Let's talk about where to start, how much to save, and how to make your savings work for you with minimal effort.

## WHY IS IT SO HARD TO SAVE?

Surprisingly, surveys show that people of all income levels have very little savings. In fact, Americans are some of the worst savers in all of the developed world. Why? We tend to prioritize based on what we consider to be our immediate needs, and we tend to spend more when we make more. This means we're more likely to spend money on a bigger television rather than to put that money into an emergency or retirement fund. Unfortunately, social media could be making the situation worse. According to a survey conducted by the American Institute of Certified Public Accountants, after seeing others post about purchases and vacations, 40% of adults with social media accounts looked into similar purchases and vacations. The pressure to keep up with the Joneses has increased for social media users.

Debt also has a hand in how people save. Many people with debt feel too burdened to try to put even a small amount aside for savings. Paying off debts as soon as possible is a good plan, because the interest will continue to build as long as you carry a balance. Any time we make more than the minimum payment on our debts, we're able to pay off the debt faster.

Some experts say we perceive saving money as difficult because our goals seem so far away. Our modern culture supports immediate gratification. When we want things, we want them as soon as possible, and it can be daunting to try and save a large sum of money starting from zero. It's true - the more distant the goal, the less tangible it becomes, but there are ways to combat that feeling. If you're having a hard time saving because your goals seem too far away, you can always try making smaller goals to help break up the time. If your plan is to save \$1000, break that goal down to increments of \$100 or \$200, and take note each time you pass one of those milestones. Be proud of your baby steps!

## NOT SURE HOW TO START?

If you're new to saving or just don't know where to start, there's a plan for you. The first step is to create an accurate budget to see what you can actually afford to set aside in savings. The key to saving is to save whatever you can, whenever you can, but it helps to establish a minimum. If you feel like there is no room in your budget for savings, reassess what you're spending money on. Consider switching out some of your



Todd Friedhaber  
Financial Counselor

TODD HAS BEEN WITH US FOR 19 YEARS. HE IS A JACK-OF-ALL-TRADES HERE, HAVING EXPERIENCE IN SEVERAL DIFFERENT DEPARTMENTS. NOW, HE FOCUSES HIS TIME ON FORECLOSURE COUNSELING, AND TRAVELING AROUND THE AREA TO CONDUCT SEMINARS ON FINANCIAL EDUCATION TOPICS! WE'RE LUCKY TO HAVE HIM!

"WHEN I GO TO WORK I KNOW THAT THE JOB I DO IS HELPING PEOPLE KEEP THEIR FAMILIES TOGETHER AND SAVE THEIR HOMES FROM FORECLOSURE. I ALSO RECEIVE GREAT SATISFACTION KNOWING THAT WHEN I TEACH THE EDUCATIONAL SEMINARS TO THE HOMELESS VETERAN'S AND TO THE MEN AND WOMEN THAT ARE INCARCERATED, THE MAJORITY TRULY LISTENS AND TAKES TO HEART THE FINANCIAL EDUCATION THAT THE CAMBRIDGE COMMUNITY OUTREACH PROGRAM PROVIDES."



## SET RULES

WHAT COUNTS AS ESSENTIALS? DO YOU HAVE ENOUGH FOOD IN YOUR FREEZER AND PANTRY TO AVOID SPENDING MUCH AT THE GROCERY STORE? WILL YOU MEET EACH WEEK OVER A BOARD GAME TO DISCUSS YOUR PROGRESS? WHATEVER THE RULES, YOUR FAMILY HAS TO AGREE TO FOLLOW THEM FAITHFULLY.

## SET GOALS

WHY ARE YOU DOING THIS? ARE YOU SAVING JUST TO SAVE, OR DO YOU HAVE A PURCHASE IN MIND? PERHAPS YOU'RE SAVING FOR A VACATION WHEN THE WARM WEATHER HITS. MAKE SURE EVERYONE IS EXCITED ABOUT THESE GOALS, SO YOU CAN ACT AS A TEAM.

staple products for store brands, and saving the difference. If going out to eat is essential to your happiness, don't eliminate it from your budget. Instead, skip one restaurant trip a month and pocket the savings. Remember, every little bit counts.

If you have the extra room in your budget, it's a good idea to set up a direct deposit into your savings account from each paycheck. Out of sight, out of mind! If you don't have a steady paycheck, seize the opportunities when you have a sudden abundance of money. For instance, when you get your taxes back or a holiday bonus, you should try and set aside as much of that as possible instead of splurging.

A more structured way to save is a 52-week challenge (or any of the various weekly spending challenges you might see after a quick internet search). These challenges require that you save a certain amount of money per week, often in increasing intervals. For instance, you could set aside \$1 in the first week, \$2 in the second week, until you save \$52 in the 52nd week. It might not seem like much, but at the end of the year you will have saved \$1,378 by saving just a dollar more each week.

If it seems like it might be too difficult to save \$200 during the holiday season, try a reverse challenge. Consider starting strong and saving \$52 in the first week of the year, \$51 in the second week, until you only have to save \$1 in the last week. Whichever challenge you choose, remember that the focus is setting a savings goal each week. Be sure to measure your progress as the weeks go by, and, if you're ever knocked off schedule by a financial emergency, resolve to get back on track as soon as possible – don't wait.

### 52 - WEEK CHALLENGE

WEEK 1	...	SAVE	...	\$1
WEEK 2	...	SAVE	...	\$2
WEEK 3	...	SAVE	...	\$3
WEEK 51	...	SAVE	...	\$51
WEEK 52	...	SAVE	...	\$52

### REVERSE CHALLENGE

WEEK 1	...	SAVE	...	\$52
WEEK 2	...	SAVE	...	\$51
WEEK 3	...	SAVE	...	\$50
WEEK 51	...	SAVE	...	\$2
WEEK 52	...	SAVE	...	\$1

## MAXIMIZE YOUR SAVINGS

Once you start saving, there are several ways to multiply your efforts, and actually have your money make more money. These days, most banks and credit unions have disappointingly low interest rates (around 0.01%) for their consumer savings accounts. You won't see your account balance grow unless you're saving a large sum over a long period of time.

*continued on back*

Produce in  
Season for  
Winter



- 1.) BRUSSELS SPROUTS
- 2.) CLEMENTINES
- 3.) DATES
- 4.) GRAPEFRUIT
- 5.) KALE
- 6.) LEEKS
- 7.) ORANGES
- 8.) PEARS
- 9.) POMEGRANATES
- 10.) SWEET POTATOES



*continued from front*

There are some online banks that will give you slightly better interest rates. For instance, Synchrony Bank is currently offering a high-yield savings account at 1.30% APY. This means if you kept \$1,000 in your Synchrony account for a year, you'd accrue \$13. It might not seem like much, but it's essentially free money. Synchrony is one of several online-only banks, and they even offer an ATM card. Many folks are wary of keeping their savings in an online account, but the number of users is growing, and the reviews are generally favorable.

Once you've built up your savings, you could consider a CD, or certificate of deposit. CDs promise high interest rates that are compounded daily, but there's a catch - you must deposit a set amount of money, and it must remain untouched for a predetermined period. Withdrawing the money early could be costly, unless you purchase a no-penalty CD. Some CD accounts require a minimum deposit anywhere from \$500 to \$2,500, but the interest rates would be around 1.20% (or higher), as long as you let the bank hold your money for 12 months. This option really works for people who've already built up an emergency fund and have some money to spare. For everyone else, there's a simple rule to follow: Don't put all of your savings into a CD, because you want to have money available in an emergency.

## RESIST TEMPTATION

Don't borrow money from your savings unless it is absolutely necessary. For instance, let's say that your goal is to create an emergency fund of \$1,000, and you're almost there. However, you find that your car isn't handling the winter roads very well, and you need a new set of snow tires. This is a good time to consider using your emergency savings if your regular monthly budget is too tight to afford the tires. While this may not be the emergency that you envisioned when you started your fund, your safety comes first. That's a good use of your savings.

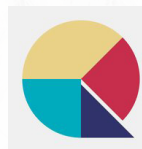
Once you've mastered the art of saving, you can start to think about what's next for your growing nest egg. Perhaps, it's time to start investing and seeing where your savings can go.

## MOBILE APPS

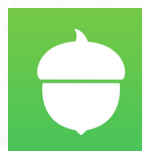
In the digital age, there are a number of mobile apps that can help us save and even invest our money. Please note that Cambridge does not endorse or support these products in any way. We simply find that they are popular applications that might make saving easier. If you are curious to learn more about these apps, we strongly encourage you to conduct research of your own.



**DIGIT** - Digit connects to your bank account and automatically transfers small amounts from your checking account into your savings account based on how much money you have available. If you are broke, Digit will only save a few cents, but if you've got the extra money, it will move a few dollars per day into savings. You can always pause or halt these transactions, and sign up for daily texts reminding you how much you have in your account. That's a great way to keep your savings goals fresh in your mind!



**QAPITAL** - Qapital is a way to automate your savings in a more controlled way. You connect as many credit cards as you would like to the app. Each time you make a purchase using one of those cards, the purchase is rounded up to the nearest dollar, and the extra cents are put into a Qapital savings account. You can also set up automatic deposits when you get paid or even when you shop at certain stores. This app offers a social aspect as well, where you can create and share savings goals and accounts. For instance, if you and your spouse want to save up for a new television, you can create a shared account and divert some of your savings into that until you reach your goal.



**ACORNS** - Acorns brings saving to the next level. Like Qapital, this app rounds your purchases up to the next dollar, saves the extra cents, but then automatically invests them into a portfolio of financial products such as stocks and bonds. Each portfolio is designed to be well-rounded to optimize your earnings. You can connect as many cards as you want, and you can transfer your funds anytime.