

# My Savings Options



## Useful Links:

### Budget Worksheet:

[www.mycreditunion.ca](http://www.mycreditunion.ca)  
- click on Planning Tools >  
GO Figure > Family budget

### Cash Management Strategies:

[www.mycreditunion.ca](http://www.mycreditunion.ca)  
- click on Planning Tools >  
GO Figure > Family Budget

### What's a Deposit Worth in the Future:

[www.mycreditunion.ca](http://www.mycreditunion.ca)  
- click on Planning Tools >  
GO Figure > Calculators >  
Savings - Future Value

### Budgeting For Children & Young Adults:

[www.yourmoney.cba.ca/en](http://www.yourmoney.cba.ca/en)  
- click on "budget, budget!"

## I want to grow my money, but...

*It is so hard not to spend it!*

Most of us think that we're doing okay as long as we keep up with our bills, our family commitments, and make it through the month without living in our overdraft. But there is a difference between just holding the line and really succeeding financially. Are you ready for an emergency expense? Do you dream of a bigger house? What about putting your child through university? Today many people plan to work after retirement – a contradiction in terms and hardly something to aspire to. The main reason – not enough money. Shouldn't retirement mean you don't have to work?

### What can you do to break out of this pattern?

Simple. Better planning and saving.

Saving is no longer a way of life. Gone is the credo: 'use it up, wear it out, make it do, or do without.' Previous generations made it work – they saved. But today's trend is startling. Stats Canada says that the personal savings rate has dropped by nearly a full percent in the first three months of this year compared to last, from 3.3% to 2.6%.

But it isn't too late for us.

### How do you get started?

You all know the word – budgeting. That single word can start grown men and women screaming. But budgeting is not about making life miserable – it is about understanding how you spend your money. There is one certainty: if you start the budgeting process feeling negative or pressured, it will never work. A budget is a tool that works for you, to help you meet your goals. Whether it's a simple pen and paper or elaborate software system, understanding where your money goes and what it will take to reach your goals is worth the time and effort.

A great way to start would be to take the **Financial Cardio Test** – it will help you get started on a budget and figure out where expenses can be cut. Suggestions like taking your lunch to work, avoiding ATM surcharges and carpooling are great ways to lower expenditures quickly and painlessly.

Experts suggest that by understanding how much of your total income goes to committed expenses like shelter, fees, taxes, bills, food and recreation and working towards capping these expenses at a percentage of your income will help ensure you are ahead at month end. But staying ahead is not just meeting commitments, it also means saving. Whatever percentage you set for expenses, it is critical that the rest of your money be dedicated to debt-reduction and savings.

### Where do you make the change?

One of the most common accounts in a financial institution is a savings account, and yet how can that be true if we are no longer a society of savers? Most of those accounts are set up with good intentions, but without a plan, it becomes difficult to make **saving** a habit.

There are four categories of savings that need to be considered: retirement, long term (education or emergencies, etc), short-term (vacations, repairs, gifts - predictable but not a regular expense), and disposable (to have fun with). Set savings goals, make it part of your budget, keep track. The easiest path is to set up automatic deposits with each paycheck – make sure you pay yourself before anything else.

On the reverse of this newsletter is our **Financial Strength Test**, which is about understanding your savings needs. The test looks at regular monthly and retirement savings plans. We want you to take a really good look at your debt and the payments – especially your credit cards – and imagine your financial picture without them. This information will show you why it is so important to make paying off debt a priority. A good way to understand your debt is by taking the **Financial Flexibility Test**.

Setting a budget and savings plan is an investment that will pay off before you know it. Need some help getting started, or a review of the plan you already have? Come in or call – we'll show you how.

## “She needed help putting together a financial plan.

Things were getting tighter every month. We helped her set up a budget that was easy to stick to, granted her a loan that helped close out all credit cards but one, which we reduced the limit on. We even helped her re-negotiate her mortgage to lower payments and avoid penalties. She and her husband were so impressed that they moved the whole family's banking over – mutual funds too. Now the family is financially worry-free each month and well on their way to building a strong financial foundation.”

As told by a Credit Union  
Member Service Rep

\* Financial Fitness Tests are available on our website or contact Member Assistance to receive a copy.

Turn over to read about Financial Fitness and complete the Financial Strength Test.

# We'll show you how...

Go to [mycreditunion.ca](http://mycreditunion.ca) for:

- » The Personal
- » Savings Tips
- » Financial Fitness Test



## Financial Fitness Test: Strength

Strength is more about having a strong foundation and less about how big your muscles are. Your core strength improves your flexibility and balance, at the same time it keeps your bones strong. In financial health it's the same thing – savings that make you financially secure at every stage of your life, not just at retirement, is what you will need to be financially strong.

### What you'll need to take the **Financial Strength Test:**

Net pay amount, savings account statements, retirement account statements, other investment statements, calculator, pencil/pen and some paper.

STEP 1: Calculate your monthly take home pay	STEP 2: Calculate your monthly planned savings contributions	STEP 3: Finding your place on the Strength scale
<p>Multiply your net pay as follows:</p> <ul style="list-style-type: none"> <li>• If you get paid once a month that is your net monthly take home pay</li> <li>• If you get paid every 2 weeks multiply your net pay by 2.167 <math>\\$1153.67 \times 2.167 = \\$2,500.00</math></li> <li>• If you get paid every week multiply the amount by 4.333 <math>\\$576.97 \times 4.333 = \\$2,500.00</math></li> <li>• Add any other monthly income <i>Investment income = \$37.56</i> <i>Total net income = \$2,537.56</i></li> </ul>	<ul style="list-style-type: none"> <li>• Take each of your non-registered and registered savings statements and add up the monthly contributions. <i>RSP savings = \$50.00</i> <i>All savings accounts = \$0.00</i> <i>Mutual funds = \$100.00</i> <i>Total monthly savings contribution = \$150.00</i></li> <li>• Subtract 10% of your total monthly net income from the total monthly savings contributions to determine if you're saving enough monthly. <math>\\$253.76 - \\$150 = \\$103.76</math></li> </ul>	<p><b>Part 1: Monthly Savings</b></p> <p>– find the category where your monthly savings falls</p> <p><i>Surviving = Currently saving \$0 - \$49</i></p> <p><i>Stable = Currently saving \$50 or more, but less than 10% of net monthly income</i></p> <p><i>Secure = 10% or more of net monthly income</i></p> <p>In our example we are in the stable category with regular monthly savings of \$150 a month – but we are not meeting the minimum 10% of net monthly income requirement of \$253.76. We are \$103.76 short each month.</p>
STEP 4: Calculate your total savings to fund your Retirement Plan	STEP 5: Finding your place on the Strength scale:	
<ul style="list-style-type: none"> <li>• Take each of your non-registered and registered savings statements and add up the amounts: <i>All term deposits = \$23,816.27</i> <i>All savings accounts = \$1,214.25</i> <i>All mutual funds = \$38,499.98</i> <i>Total savings = \$63,530.50</i></li> <li>• Take 70% of your highest annual income and multiply that by the number of years you expect to be retired. <math>\\$80,000 \times .70 \times 20 \text{ years} = \\$1,120,000</math></li> <li>• Subtract what you currently have saved <math>\\$1,120,000 - \\$63,530.50 = \\$1,056,469.50</math></li> </ul>	<ul style="list-style-type: none"> <li>• Divide by the number of years you have before retirement <math>\\$1,056,469.50 \div 22 \text{ years} = \\$48,021.34</math></li> <li>• Subtract from this your total expected annual pension payments from all sources <math>\\$48,021.34 - \\$36,140 = \\$11,881.34</math></li> <li>• Subtract from current savings from STEP 2 to determine if you are meeting or exceeding your annual targeted savings requirements. <math>\\$11,881.34 - (\\$150 \times 12 = \\$1,800) = \\$10,081.34</math></li> </ul> <p>This is approximately what you need to save annually including interest and investment income.</p>	<p><b>Part 2: Retirement Planning</b></p> <p>– find the category where your retirement savings falls</p> <p><i>Surviving = No retirement plan</i></p> <p><i>Stable = Minimal retirement plan but planned retirement savings does not meet the annual targeted retirement savings requirements</i></p> <p><i>Secure = Current retirement planning meets or exceeds the annual targeted savings requirements</i></p> <p>In our example we are in the stable category with savings of \$63,530.50 – but we are still not saving enough annually to meet the calculated annual requirements.</p>

### Strength Improvement Plan

Now that you know where the gaps in your savings are, it's time to come up with a new savings strategy. Paying yourself first is the simplest way to make an immediate difference. The minimum amount that you should be saving every month is 10% of your net monthly income – in our example, that equals \$253.76 ( $\$2,537.56 \times .10$ ). This means that each month, before you pay anyone else, you immediately move that amount into your savings vehicle – whether it's to a variable RSP account, mutual fund, or a daily interest savings account, it happens first. To meet the annual targeted retirement savings, we need to save an additional \$450 a month (assumes 6% annual growth rate). Maximizing your RSP contribution or making lump sum deposits from income tax returns are ways to close your retirement savings gap.

But first you need to know where you are in terms of your expenses. If you have not already done so, now is the time to take our **Financial Cardio Test** and **Financial Flexibility Test**, as you need to know if your savings goals can be met. Once you have your budget worked out, determine if there are some extra expenditures you can cut back to get your savings ramped up over the coming months. It will not be too long before your strength improves along with your flexibility and cardio.

### Not sure where to start?

Call or come on in—we'll show you how.