



Ruth Brock
Regional Extension Agent
News Release

Saving on a Tight Budget

How can those who currently are not saving afford to save money? In addition, how can those saving only a little save more? Here are our top ten tips for saving money when budgets are tight.

Cut spending painlessly

Tip 1: To find small savings that add up to big savings over time, keep a careful record of all (and we mean all) of your expenditures for a month. You may be surprised to learn how much you are spending on such things as a daily latte or restaurant meals.

Tip 2: For necessary purchases — such as food and transportation and insurance— comparison shop. The Consumer Literacy Consortium (www.66ways.org) provides good advice from leading consumer experts on how to save money purchasing 28 types of major products.

Tip 3: Restrain spending for birthdays and holidays. A few well-chosen gifts are likely to be more appreciated than a more costly pile of gifts chosen thoughtlessly in a shopping mall foray.

Reduce high-cost debt

Tip 4: Payday loans typically charge interest rates of 500 percent, and the interest rate on credit card debts can run 25 percent. You can save hundreds, perhaps thousands, of dollars a year by paying off these high-cost debts. For help, contact a credible non-profit credit-counseling agency.

Tip 5: Build an emergency fund to avoid having to take loans to pay for unexpected purchases. That fund is usually best kept in a savings account, despite the low interest rates such accounts pay right now. Try to keep a high enough balance in the account to avoid monthly fees.

Tip 6: Ask your bank or credit union to automatically transfer funds each month from your checking to your savings account. Even as little as \$10 or \$15 a month helps.

Tip 7: Put all your loose change in this savings account. For many people, that could add up to well over \$100 a year.

Take free money and save it

Tip 8: Low- and moderate-income workers qualify, each year, for an Earned Income Tax Credit (EITC) that can put over \$1,000, and often more than \$2,000, in your pocket. IRS Publication 596 explains how to apply, or you can contact your local taxpayer assistance center for in-person help. Be sure to save at least half of this windfall.

Tip 9: Participate in a local Investment Development Account (IDA) program. In return for attending financial education sessions and agreeing to save for a home, education, or business, you typically receive \$2 for every \$1 you save through an IDA program. For instance, by participating with just \$25 each month ends up as \$900 at the end of a year. Dial 211 to find out how to open your IDA account.

Tip 10: If your employer matches retirement savings contributions, be sure to take advantage of that. Some employers match up to 100 percent of your contributions. While we encourage letting this money build up until retirement, it can be withdrawn, or borrowed on, to cope with serious emergencies.

For more information on this topic please contact Regional Extension Agent Ruth Brock at the St. Clair County Extension office at (205) 338-9416 or e-mail brockru@aces.edu.

Source: http://www.americasaves.org/strategies/tight_budget.asp; Retrieved December 19, 2009