

# It's Your Money

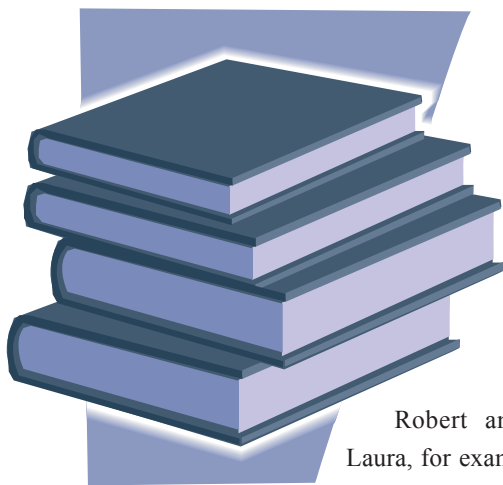
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Article No. 4

## The Best Time to Start Saving Is Right Now

To manage your money wisely you have to set goals, control your spending, and save regularly. Whatever your financial goals—whether you want to buy a house, start your own business, or send your kids to college—you need to take certain steps. These include setting up a budget and saving. A **budget** is a savings and spending plan that will help you understand where your money goes and adjust your expenses so that you can start saving regularly.



Robert and Laura, for example, need to buy books and school supplies for their children at the start of every school year. They want to put aside some money for this purpose regularly but don't know what type of savings account to open. They want to make sure they choose the one that best meets their needs.

**When choosing a savings account you should consider such things as:**

- are deposits insured?
- what is the minimum initial deposit?
- is there a minimum balance required?
- is there an annual fee?
- what is the interest rate?

Deposits at banks and credit unions are insured up to \$100,000. It is important to ask this question because other accounts may not

be insured, such as savings accounts in mutual funds. In those cases, it is important to ask about the financial performance of the funds over time.

In a savings account your money can earn interest. To earn interest means that you get paid to keep money in your account. For example, if you have \$100 in your savings account and the interest rate is 5 percent per year, after one year, you will have \$105 in your account. Now, that \$105—not just the initial \$100—will earn interest. At the end of the second year, your account will have about \$110. After the third year, your account will total about \$116. This is called **compounding**. The more you add to your savings account, the faster your money grows.

A **basic savings account** usually offers a low interest rate but has the advantage that the initial

**If Roberto and Laura save \$20 every week, they will save \$1,040 in one year.**

$$\$20 \times 52 \text{ weeks} = \$1,040$$

Their savings would **increase** if they put the money in a savings account that pays **interest**.



deposit is low and you can withdraw money any time. This type of account is ideal for keeping money for emergencies. Credit unions and most banks offer basic savings accounts. At a credit union, a savings account is called a **share account**. When you become a credit union member, you own a small part of the credit union, which makes you a **shareholder**.

A **share certificate** or **certificate of deposit** is another type of savings account. A benefit of having a share certificate is it pays a higher interest rate than a basic savings account, but you have to agree to leave your money in the account for a certain amount of time, usually 7 days to 10 years. The longer you agree to leave your money in the account, and the greater the amount you leave in it, the more interest it pays. There is a penalty for withdrawing or taking out your money before the time period is up. This might not seem like a good thing, but by making it difficult for you to take out the money it helps you save.

A **money market** is another type of savings account. It requires a high minimum deposit, usually \$1,000, but pays a higher rate of interest than a basic savings account. With a money market account you can withdraw money up to six times per month without a penalty.

You may have also heard of **club accounts**. They are a popular way to save for the holidays, vacations and to keep money aside to pay for your taxes. With a club account a specific amount is automatically taken from your paycheck. Simply decide an amount you want taken from your check and it will be deposited into your club account. Your savings will be returned to you in time for your vacation or tax season.

If your financial goals include a comfort-



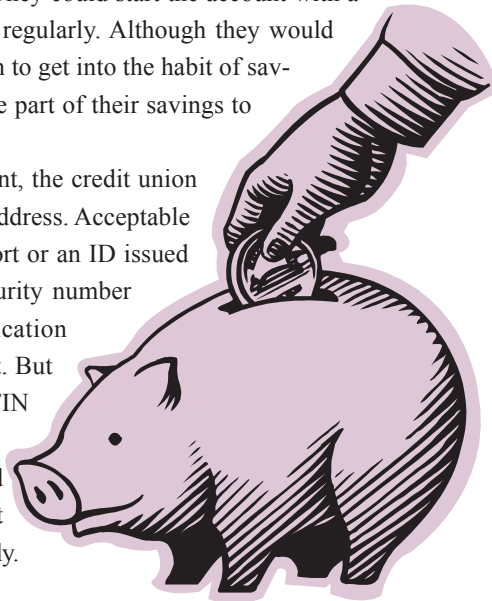
able retirement, then an **Individual Retirement Account (IRA)** might be the right choice for you.

The most you can invest in an IRA each year is usually \$3,000\*. The money that you contribute to your account is tax deductible. This means that you don't pay taxes on the amount that you deposit. You also don't pay taxes on the interest you earn. There is a penalty for taking your money out before you reach the age of 59 1/2. But during all those years before you retire, your money will have a long period to grow.

Robert and Laura decided to open a basic savings account (or share account) at their credit union. They knew their money would be safe. They could start the account with a small deposit and they could put money aside regularly. Although they would not earn much interest, it is a good way for them to get into the habit of saving. Once their account grows they would move part of their savings to a share certificate.

When they went to open their savings account, the credit union asked them to provide a photo ID and proof of address. Acceptable forms of ID include a driver's license, a passport or an ID issued by a foreign government. Neither a social security number (SSN) nor an Individual Taxpayer Identification Number (ITIN) are required to open an account. But in order to earn interest either an SSN or an ITIN is necessary.

A savings account is an important step toward reaching any of your financial goals. You don't have to save a lot but it's important to save regularly.



\*MAXIMUM LIMIT MAY VARY DEPENDING ON TYPE OF IRA.

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New York City Financial Network Action Consortium (NYCfNAC)  
175 Remsen Street, Suite 350 • Brooklyn, New York 11201  
Tel: 718-260-0099 ext. 102 • Fax: 718-260-0085 • www.nycfnac.org

## These Community Development Credit Unions welcome you:

### UPPER MANHATTAN

#### Homesteaders Federal Credit Union

2052 Clayton Powell Jr. Blvd.  
(between 122nd & 123rd Street)  
New York, NY 10027

Tel: 212-222-0328

Mon., Tues., Wed. & Fri. 10:00am - 3:00pm

Thursday 10:00pm - 3:00pm &  
4:00pm - 6:00pm

Saturday 10:00am - 3:00pm

#### Union Settlement Federal Credit Union

237 East 104th Street  
(between 2nd & 3rd Avenue)  
New York, NY 10029

Tel: 212-828-6061/6062

Mon., Tues., Wed. & Fri. 8:30am - 3:30pm

Thursday 8:30am - 3:00pm &  
4:30pm - 6:00pm

#### Neighborhood Trust Federal Credit Union

4211 Broadway  
(between 178th and 179th St.)  
New York, NY 10033

Tel: 212-740-0900

Mon., Tues. & Fri. 9:00am - 4:00pm

Thursday 9:00am - 6:00pm  
Saturday 10:00pm - 2:00pm

### LOWER MANHATTAN

#### Lower East Side People's FCU

37 Avenue B  
(at the corner of East 3rd Street)  
New York, NY 10009

Tel: 212-529-8197

Tues., Wed. & Fri. 10:00am - 3:00pm

Thursday 10:00am - 3:00pm &  
4:00pm - 7:00pm

Saturday 10:00am - 1:00pm

### BROOKLYN

#### Bushwick Cooperative FCU

1475 Myrtle Avenue  
(between Bleecker St. & Menahan St.)  
New York, NY 11237

Tel: 718-418-8232

Tuesday - Thursday 9:00am - 4:00pm

Friday 9:00am - 6:00pm

Saturday 9:00am - 2:00pm

#### Credit Unions typically provide:

- Low-fee savings and checking accounts
- Free tax preparation
- Low-cost loans

Call the Credit Union nearest you for more information