



# Pump Up Your Piggy Bank

Presentation for the Maryland Supplemental Retirement Plans

Nationwide Retirement Solutions does not control any third party material and is not responsible for its content. NRM-8860MD-MD.1

# The Maryland CASH Campaign (Creating Assets, Savings and Hope)

Non-profit organization committed to helping working families achieve financial stability.

The Maryland CASH Academy- a signature program of the Campaign- is an online calendar of free and low-cost financial education classes in throughout Maryland's communities.



[www.mdcash.org](http://www.mdcash.org)

[www.mdcashacademy.org](http://www.mdcashacademy.org)

# Overview

Saving vs. Spending Less

Where are the Savings?

The Wonders of  
Compound Interest

Savings Techniques

Spending Less Tips



# Americans Saved What Percentage of Their Income in 2010?

25%

10%

5%

0%

-3%

# What Percentage of Americans Would Have a Hard Time Finding \$2000 in 30 Days for Emergency?

- 10%
- 25%
- 50%

# A few terms to know...

- **FDIC**= Federal Deposit Insurance Corporation
- **Interest**= Money the bank/credit unions pay its customers.
- **Invest**= Using money to earn more money.
- **NCUA**= National Credit Union Administration
- **Principal**= Money a customer sets aside in a savings vehicle.
- **Savings**= Money set aside for future use.

# Spending Less vs. Saving

**Spending less** is using techniques to pay for an item (or items) at a price lower than retail or regular pricing.

**Example:** You use coupons and sales to pay \$76 for groceries that are regularly priced at \$100.

**Savings are** monies set aside for future use.

**Example:** You deposit \$24 into a savings vehicle. You may do so on a regular basis (ex: via direct deposit) or infrequently (ex: whenever you accumulate a certain amount of coins).

# Spending Less vs. Saving

**A few helpful questions that explore why spending less is not the same as saving...**

- When you "save" \$12.36 at the grocery store, do you set aside that amount in a savings vehicle?
- When you get an item that was originally \$50 for \$25 do you put \$25 in savings?

# Where Are the Savings?

- Piggy Bank/Under the Mattress/In the Sock Drawer/Etc.
- U.S. Savings Bonds
- Deposit Accounts
  - Regular Savings Accounts
  - Certificates of Deposit
  - Money Market Accounts



# Piggy Bank/Under the Mattress/In the Sock Drawer/Etc.



## Pros

- Convenience, easily accessible
- Start saving with any amount of money (as little as one cent)
- No account maintenance fees.

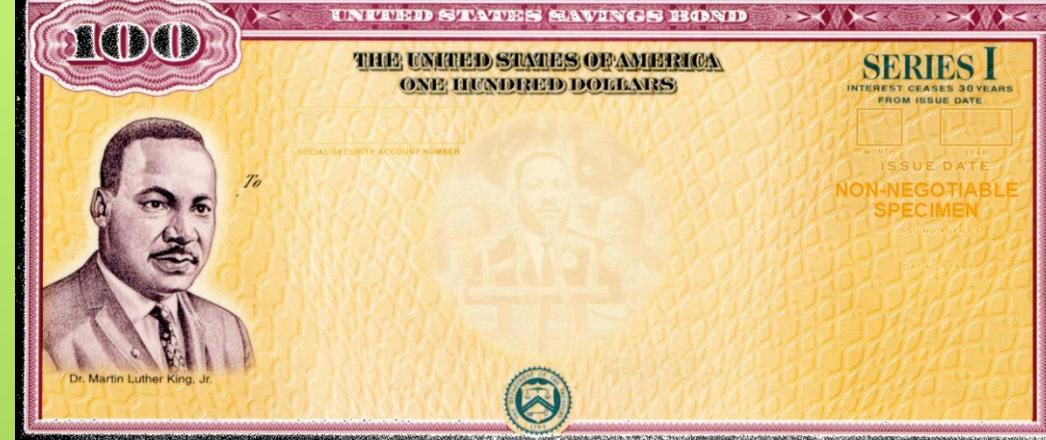
## Cons

- Reduced purchasing power over the long term (risk of inflation)
- Safety risks: fire, natural disaster, theft

# U.S. Savings Bonds

## Pros

- Protection against risk inflation (for Series I bonds)
- Bonds will never lose value; they are backed by the United States government.
- No fees to purchase, maintain or redeem.
- Purchase a bond with as little as \$25.



## Cons

- Purchased in pre-determined increments
- Must open an account at [TreasuryDirect.gov](https://www.treasurydirect.gov) to purchase and manage bonds (Series EE and I)

# Deposit Accounts

Regular Savings Accounts  
Certificates of Deposit  
Money Market Accounts

## Pros

- **Safety:** Not exposed to the threat of fire, theft or loss
- **Convenience:** Easy access to funds via phone, internet and in-person
- **Security:** FDIC/NCUA offer insurance on deposits up to \$250,000

## Cons

- **Fees:** Maintenance and/or penalty fees
- **Balance Requirements:** Certain amount of money may be required to open and/or maintain an account
- **Access to funds** may be restricted in some cases

# Regular Savings Accounts

- Most convenient among deposit accounts (vs. CDs and MMAs)
- Easiest access to funds (liquidity)
- Lower balance requirements (to open and/or maintain)
- Federal regulations limit withdrawals to 6Xs/month
- Lower interest rates (APY) may expose principal to inflation risk



# Certificates of Deposit (CD)

- You invest a fixed sum of money (principal) for a fixed period of time - six months, one year, 5 years or more.
- Your financial institution pays you interest (usually at a rate higher than a regular savings account) typically at regular intervals. When you redeem your CD, you receive your principal and accrued interest.
- If you redeem your CD before it reaches maturity, you risk paying an early withdrawal fee or forfeiting a portion of interest.
- Types of CDs: Traditional, Bump-Up, Liquid, Zero Coupon, Callable and Brokerage

# Money Market Account



# Compound Interest

Interest that accrues on the initial principal and the accumulated interest of a principal deposit. Compounding of interest allows a principal amount to grow at a faster rate than simple interest, which is calculated as a percentage of only the principal amount.



Definition from [Investopedia.com](https://www.investopedia.com)

# Savings Techniques

- Define your savings
- Set goals!
- Pay yourself first
- Save on a regular basis
- Set aside your “savings” from purchases
- Shopping on sale
- Using coupons
- Compare retail price to actual price paid



# Savings Techniques

- Change in a Jar
- \$5 technique
- Automatic deductions
- Use a distant credit union/bank
- Millionaire Box
- Co-Workers Saving Plan
- Matching Allowances



# Spending Less Tips

- Envelope method for certain categories
- Coupons-if they make Cent\$
- Deal of the Day sites-if in Budget
- Don't go in store
- Comparison Shopping—how much is a gallon of milk?
- Online shopping coupons
- Trade Services
- Avoid Tickets
- Garage Sales/Thrift Stores/eBay—caution...

# Spending Less Tips

- Keep car maintained
- Change air filters on furnace
- Energy Audit
- eBooks at Library
- Coscto/Sams Club—caution...
- Compare Pet Meds/food costs
- Used Sports store for equipment
- Others?



# Savings Vs. Paying Debt

**HELOC?**

**Credit Card 22%**

**Emergency  
Savings**

**Retirement**

# Resources

- [BankRate.com](http://BankRate.com)
- [Google.com/advisor/ussavings](http://Google.com/advisor/ussavings)
- [CULookup.com](http://CULookup.com)
- The Motley Fool ([www.fool.com](http://www.fool.com))



# Pump Up Your Piggy Bank

Presented by the  
Maryland CASH Campaign

Visit us online  
[www.mdcashacademy.org](http://www.mdcashacademy.org)

