



Pump Up Your Piggy Bank

Presentation for the Maryland Supplemental Retirement Plans

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Overview

Saving vs. Spending Less

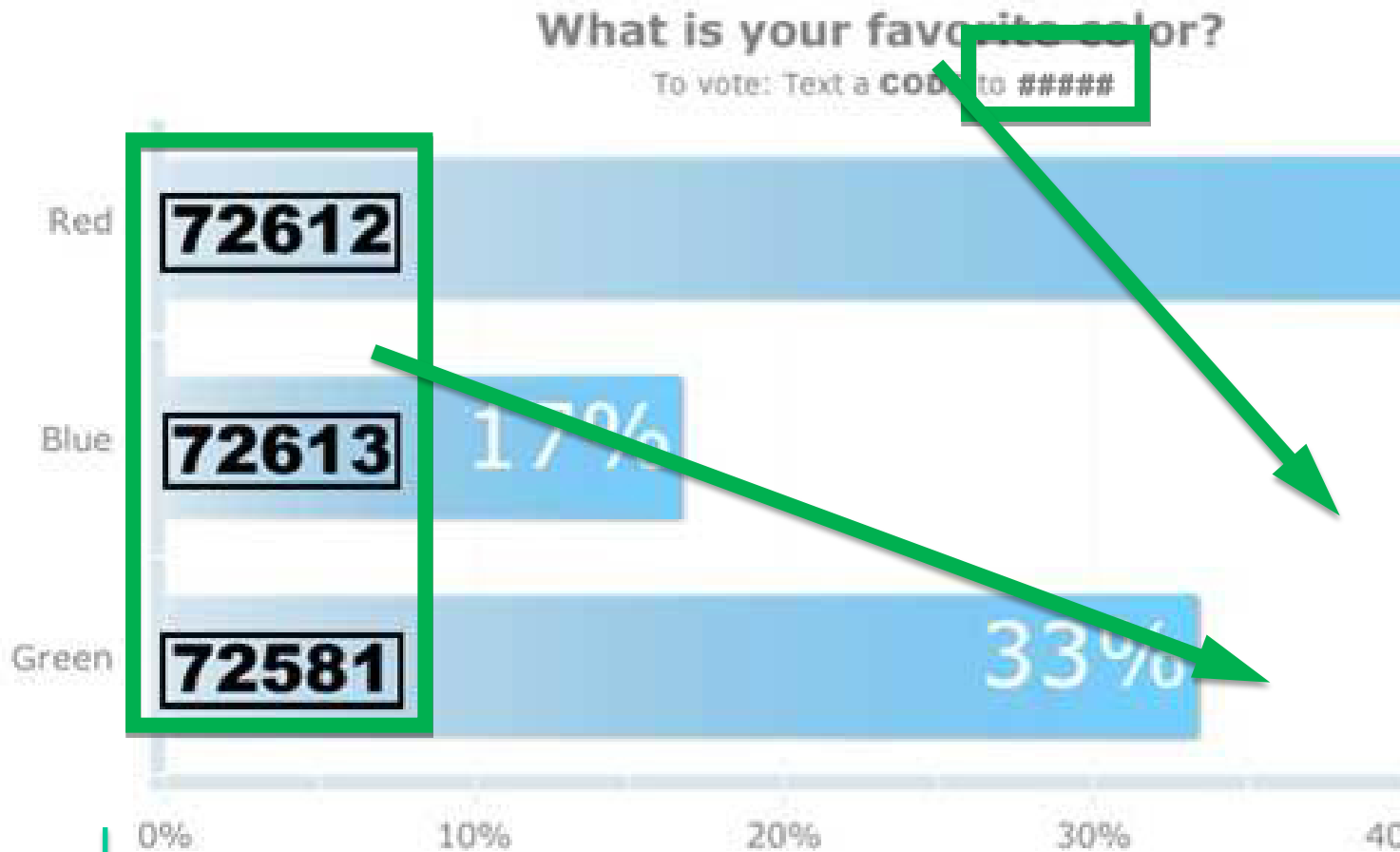
Where are the Savings?

The Wonders of
Compound Interest



How To Vote via Texting

EXAMPLE



TIPS

1. Standard texting rates only (worst case US \$0.20)
2. We have no access to your phone number
3. Capitalization doesn't matter, but spaces and spelling do

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" \$XYZ at the grocery store, do you set aside that amount in a savings vehicle?
- What is your initial reaction to "paying full price"? Why?
- Is your reaction to "paying full price" similar to your reaction for setting aside money for future use?

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.



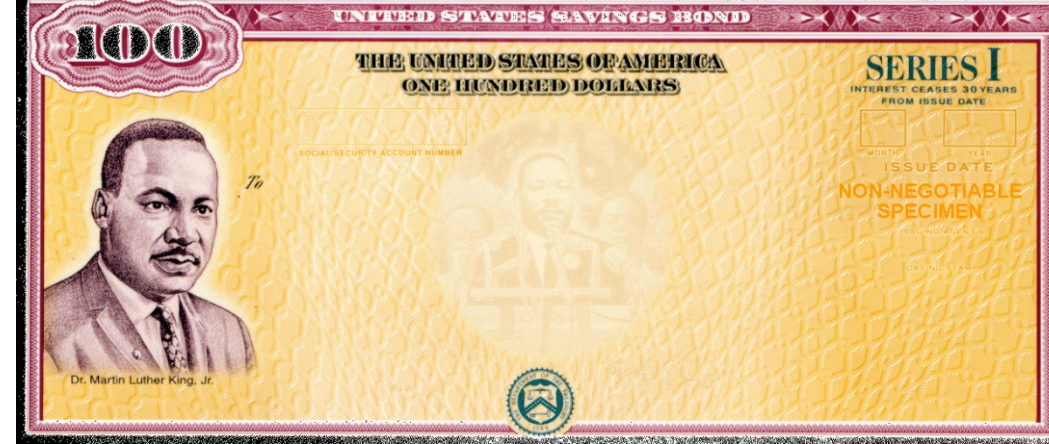
Pros

- 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

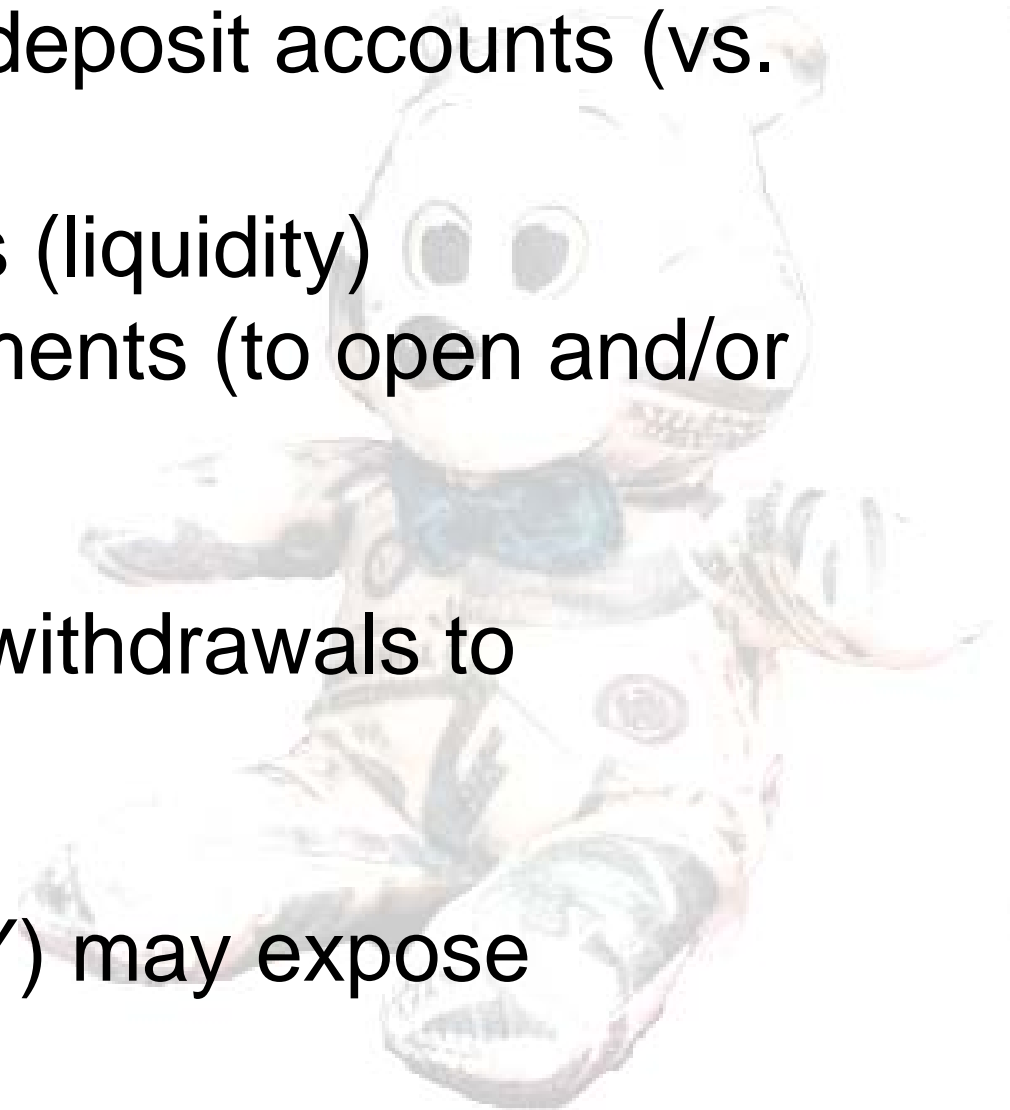
- Safety: Not exposed to the threat of fire, theft or loss
- Convenience: Easy access to funds via phone, internet and in-person
- Security: FDIC/NCUA offer insurance on deposits up to \$250,000

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



"We can give you a 12% rate if you never withdraw it."

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.



Video

Rule of 72

The Rule of 72 is an easy way to approximate how long it will take your savings to double.

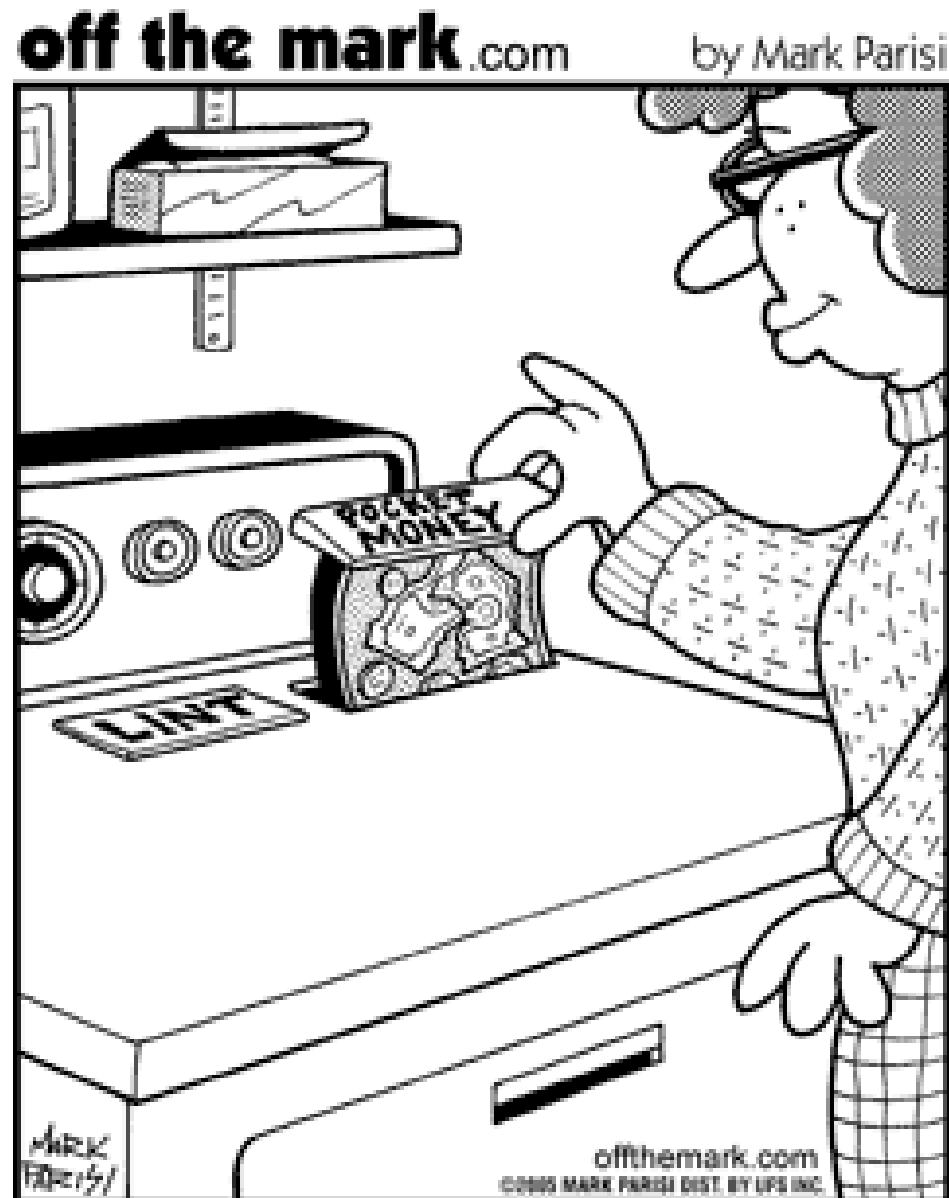
Just divide 72 by the interest rate you earn to determine the number of years it will take your money to double.

The Rule of 72



Tips to Consider

- 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



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Resources

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



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Presented by the
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