

Five Saving Strategies

1. Pay off high-cost debt.

The best investment most borrowers can make is to pay off consumer debt with double-digit interest rates. For example, if you have a \$3,000 credit card balance at 19.8%, and you pay the required minimum balance of 2% of the balance or \$15, whichever is greater, it will take 39 years to pay off the loan. And you will pay more than \$10,000 in interest charges.

For additional information see the National Foundation for Credit Counseling website at www.debtadvice.org.

2. Buy a home and pay off the mortgage before you retire.

The largest asset of most middle-income families is their home equity. Once these families have made their last mortgage payment, they have far lower housing expenses. They also have an asset that can be borrowed on in emergencies or converted into cash through sale of the home.

3. Participate in a work-related retirement program.

Many employees turn down free money from their employer by not signing up for a work-related retirement program such as a 401(k) plan. If they did participate, with a dollar-for-dollar match they would likely receive an annual yield of greater than 100% on their investment.

4. Outside of work, save monthly through an automatic transfer from checking to savings.

These savings will provide funds for emergencies, home purchase, school tuition, or even retirement. Almost all banking institutions will, on request, automatically transfer funds monthly from your checking account to a savings account, U.S. Savings Bond, or stock mutual fund. What you don't see, you will probably not miss.

5. Earn a higher rate on many CDs or U.S. savings bonds.

Most CDs from a bank or credit union, and Series EE and Series I Savings Bond, pay higher rates than regular savings accounts. With a 4% yield your money will double in 18 years.