

Making Your Money Work For You

Albert Einstein called compounding interest the eighth wonder of the world. And it is, if your money is working for you. Building a strong savings strategy as part of overall financial wellness is a key component to future security.

This concept does not automatically translate to high risk stocks, investments or putting aside large sums of money; it simply means building a long-term relationship with a bank, credit union or other lending institution that is willing to pay you interest for paying yourself first! Start small - the key to having savings is just to START. Examine the following example of how compounding interest can impact your savings. Then use the tool on the back to formulate and/or supplement your plan for making your money work for you.

Table 1

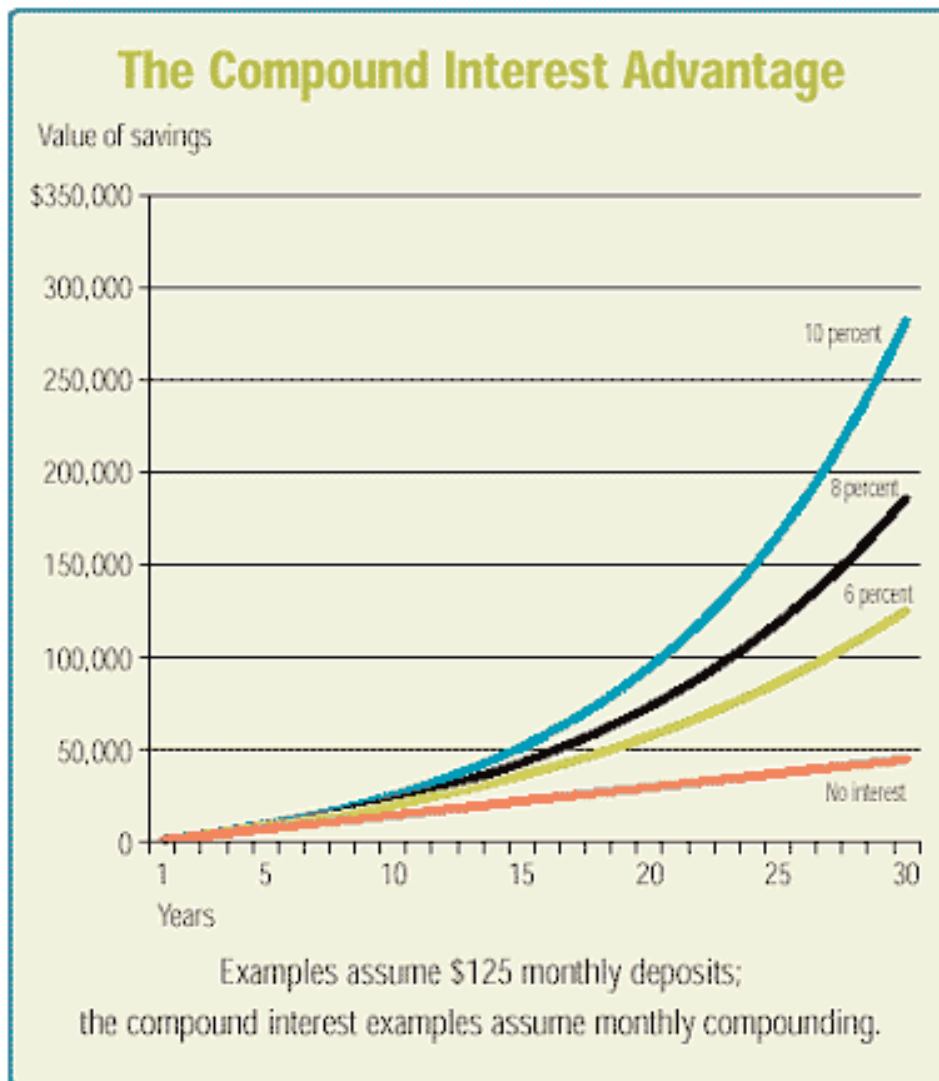


Table 1 demonstrates what just \$31.25 a week can do over time when compounding interest is at work.

Source: Federal Reserve Bank of Dallas

It is clear that compounding interest earned while saving is an advantage. The next step is to get started. The following tool outlines three categories of savings goals where compounding interest can have a great impact. Use the blanks to jot down your goals and plan of action in each category. This may include contacting local professionals to help; many will do so free of charge.

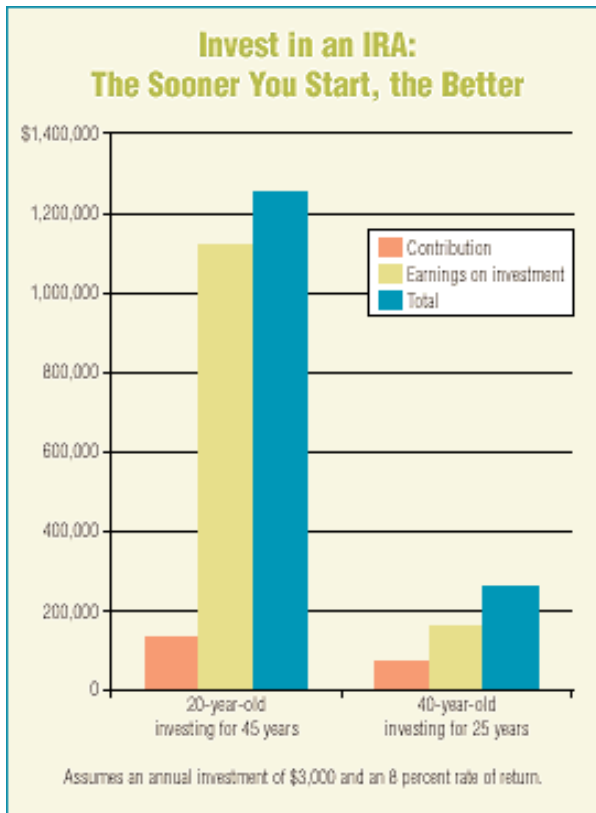
Goal Specific/Short-term savings

- new computer; down payment for newer car; tuition and supplies for school
- a basic savings account at a bank for example, will work to hold these funds short-term
- earn nominal interest

Emergency/Long-term savings

- 3 to 6 months living expenses set aside for emergencies and long-term goals
- need to have easy access to these funds, so choose accounts without withdrawal penalties or rigid terms
- earn at least 3% interest to keep up with inflation

Table 2



Source: Federal Reserve Bank of Dallas

Retirement Savings

- determine desired retirement age
- utilize employer-sponsored 401K plans
- Mutual funds
- Individual retirement accounts (IRA)
- earn 5% or higher interest rate

As Table 2 demonstrates, compounding interest works best over time. The more time it has, the harder it works in your favor. Do not wait any longer - get a start today.

For more information, contact Consumer Credit Counseling Service. Call us at (605) 330-2700 or (888) 258-2227(CCCS), or check us out at www.lsssd.org.