

# Topic of the Month

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# January

The Best New Year's Resolution – Revamping Your Financial Situation

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## The Best New Year's Resolution – Revamping Your Financial Situation



With everyone making and breaking their New Year's resolutions, it's time to think about making some that can be easily kept. You're more likely to keep resolutions that aren't a burden and that you see the actual benefit of. **Here's a suggestion:** This year, let your resolution be to increase your savings. Make it fun. Look for creative ways to save and have even more fun discovering ways to earn more on your savings than you might have thought possible.

### Putting Money into a Savings Account

*Everyone needs a safe place to "park" money they plan on spending in the short term. While depositing cash into a checking account may seem to be the easiest thing to do, depositing it first into a savings account and transferring it when the time comes to pay your monthly bills may well earn you a few extra hundred dollars a year or more.*

Shop around. Some banks offer very little on their savings. Others offer much more. You'll need to find the best bank for what you need. Just as smart shoppers check out a variety of stores and may buy some items at one and others at another, banking should be no different. The bank that gave you the best deal on your mortgage may not have the best savings accounts. A few minutes of research is time well spent. More importantly, the results you'll achieve by doing so will be well earned.



### Bigger and Better – Investing For the Longer Haul

**Here's where the fun begins. Ask yourself a few questions. Do you like seeing your savings grow? Do you like earning money for doing nothing? Well, why not? Here's how to do it:** Investing in certain products that are available at most banks and reputable financial institutions, such as money market accounts (similar to regular savings accounts except they earn a higher rate of return - some even allow you to write a certain number of checks each month), CDs (a product sold by most banks in which you invest money for a set amount of time, usually a year, and they pay you a higher interest rate), government bonds and T-Bills (similar in value to CDs except they are issued by the Federal Government), allow you to earn a greater rate of return than what you can on most savings accounts. Comparative banking, finding out what each institution offers, is again key to success. One bank may offer a CD that earns 5% annually while the next one offers 6%.

### Better Still – Welcome to the World of Investing

There are many investments out there that can earn you even more. Reputable financial institutions are widely available and most of them have guaranteed investments, some of which have averaged 12% a year. Sit down with a financial planner today. Many investments can be started with as little as \$50 a month.

In fact, \$50 a month can really add up over time. Putting aside just \$50 a month in an investment that earns 8% annually will add up to just under \$30,000 in 20 years. Earning 12%, which is what most financial institutions try for, your \$50 a month adds up to close to \$50,000 in the same amount of time. Now try saving \$100 a month, less than \$25 a week. At 8% you'll have close to \$60,000 in 20 years and at 12% you'll have \$99,890, just about \$100 less than \$100,000.

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**Just under \$25 a week saved over 20 years earning 12%, a rate most financial institutions strive for, can add up to \$99,890 – just under \$100,000.**



Just make sure your investment is guaranteed. Many financial institutions offer a product called an “annuity” which often earns the same high rates as discussed above but is usually guaranteed. Call around. Tell the broker on the phone that you’d like to earn around 12% annually but need to guarantee your “principle” (the money that you put in). If he or she says that they can’t help you, another one can.

**Guarantee your “principle”  
– the money you actually set aside to invest.**

#### **Watch Your Money Double, Then Quadruple and So On.....**

Here’s a tool that you can use to see how long it takes for your money to double. It’s only an approximate but is pretty close to the actual result (within a fraction of a percent). It’s called **“The Rule of 72.”**

You take the number 72 and divide it by the percent you expect to earn annually. The result will be the number of years it will take your money to double. For instance, at 6% it will take your money 12 years to double. At 10% yours will double every 7.2 years.

**But..... (Yes, here comes the “catch”). To do this you have to SAVE!**

Investing and watching your money grow can be more fun and is certainly more rewarding than buying CDs, DVDs or other items that may provide temporary pleasure, but not nearly as much as they can return you when invested wisely. You don’t even have to make major changes. Start shopping at discount retailers or look for bargains online at **Ebay.com** or **Amazon.com**.

For more tips on how to **“bargain shop”** so you have more money to save, go to <http://www.anewhorizon.org/library/index.htm> and review **Nov. 2006’s Topic of the Month “Earn a Black Belt in Bargain Shopping.”**

**Start shopping at discount retailers or look for bargains online.**

**So.... now that you know you can have fun just by saving and watching your money grow, start thinking of ways to save. Let this be one resolution that you keep, because it’s fun and is extremely beneficial to you.**

#### **To Recap:**

*Make a resolution to start saving, at least \$50 a month and call around to different financial institutions to see what they can do for you. And guarantee your principle (the money you actually put in).*

#### **Other Ideas for Saving**



To do all of the above you need to first start saving. Here are a few easy tips on how to do so if bargain shopping alone doesn’t produce the results you’d like (though it may just do so):

**Pack lunches to work. You can make them fun and something you enjoy.** Buying a thermos allows you to pack food that is more nutritious and tastes better than cafeteria or even restaurant food.

**Stop going to the movie theater. Why pay for one movie when you can rent 10 for the same price?** DVDs or cassettes are out in a matter of weeks and you can rent several DVDs for the price of one theater movie. If you “must” go to theaters then try to at least make it at discount times.

**Snack food – Buying larger bags of snacks at a store and dividing them up in smaller portions can save you several hundred dollars a year.** Just make sure not to overeat because you have larger portions readily available. Your health is most important and besides, in the long run, taking care of your health can help save you a lot of money. As a side note, try buying healthy snacks such as raw or dry roasted nuts.

**Exercise – Exercising not only allows you to gain energy, motivation and alertness, it’s also a free pastime.** People who exercise regularly are also more likely to be financially successful because of the above benefits. So exercise as part of healthy living and your finances will likely be in better condition, right there with you.



**For more information on this topic, call a Certified Credit Counselor at 1.800.556.1548 or visit our Learning Center at [www.anewhorizon.org](http://www.anewhorizon.org)**

