

Saving



Do you...

Have a plan for how you'll pay for unexpected expenses or emergencies?

Know your own personal definition of wealth?

Setting goals

People who regularly achieve their goals lead prosperous lives. Prosperity for you might not mean being rich—but rather having a quality of life that's meaningful by your own definition.

The first step in deciding how much you need to save to meet your personal goals is to complete a goal-planning worksheet.

STEP 1

Define your short-term goals (6–24 months) and create a plan to start saving.

- Write out your short-term goals. These would be things like paying off a credit card, new tires for your car, a mini-vacation, or a move-in deposit.
- Consider setting money aside for unplanned emergencies.
- Establish a savings account so you can track progress toward your goals. Pay yourself first. This will ensure the money doesn't get spent elsewhere.

STEP 2

Define your medium-term goals (2–5 years) to add to your plan and continue saving.

- List your medium-term goals, such as the down payment for a car or a house.
- If you aren't meeting your savings goals each month, identify areas where you can cut expenses.
- Keep the commitment to pay yourself first.

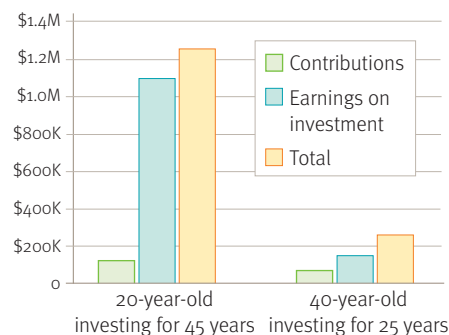
STEP 3

Define your long-term goals (5+ years) to finish your plan.

- The earlier you start saving for your long-term goals, the sooner your money will start working for you.
- In addition to your own savings, have your employer take 10 percent of your pay and place it directly into your retirement account.

Your financial goals may change as you go through college and begin your career. Take time along the way to evaluate your goals based on your personal values and current priorities. It's fine to change direction as long as you still have a plan and know what you want to achieve. Life happens—but with a solid plan and by setting time aside to revisit your plan, you'll be able to stay on the road to success.

Investing—the sooner you start, the better



Assumes an annual investment of \$3,000 and an 8% rate of return.

From January 1990 to December 2010, the average annual rate of return for the S&P 500, including reinvestment of dividends, was 10.36%. The 8% example assumes a variety of long-term investments that may or may not provide this rate of return.

Source: Federal Reserve Bank of Dallas

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Risks of not saving

Not having a plan leads to unmet goals

Lost opportunity to benefit from earning interest on interest

## Savings worksheet

Use this worksheet to identify your savings goals.

Item	Goal	Monthly savings	# of months to achieve goal
<b>Short-term goals (6–24 months)</b>			
Example: Emergency fund	\$1,000	\$85	12
<b>Medium-term goals (2–5 years)</b>			
Example: Down payment for a car	\$3,000	\$200	15
<b>Long-term goals (5+ years)</b>			
Example: Down payment for a house	\$10,000	\$120	84

### ABOUT ECMC

Educational Credit Management Corporation (ECMC) is a nonprofit company providing services in support of higher education finance. We work to support college access and success, and we provide students with tools and resources for planning and paying for college. The ECMC Personal Finance Management Series is designed to help you make informed decisions about your financial future.