



A University of Hawai'i Cooperative Extension Service Project

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Course Objectives



- Increase your knowledge about financial planning
- Improve your ability to make informed decisions



Saving & Investing II

Presenter



Linda J. Cox, Ph.D.
*Community Economic
Development Specialist*

University of Hawai'i
College of Tropical
Agriculture & Human
Resources

Lesson Objectives



- Learn how to make a SMART saving goal
- Become aware of how to organize these goals into a prioritized saving plan

Three Keys to Successful Saving



- Set a goal
- Make a plan
- Save automatically

Identify Your Savings Goals



Develop a list of your **SMART** saving goals

- **S**pecific
- **M**easurable
- **A**ction-oriented
- **R**ealistic
- **T**imely

Examples of SMART Goals



- Save \$3120 for a down payment on a car by saving \$50 a week
- Reduce credit card debt by paying an extra \$30 a month above the minimum payment and not using the credit card for one year

SMART Financial Goals



Separate your goals by time frame

- Short-term goals (less than 3 years)
- Intermediate goals (3-10 years)
- Long-term goals (greater than 10 years)

Goals Timetable



Goals	Amount Needed	Month & Year Needed	Months to Save	Start Date	Monthly Amount to Save
Short-term (< 3 years)					
Medium-term (3-10 years)					
Long-term (> 10 years)					
Total Monthly Saving	XXXXXX	XXXXXX	XXXX	XXXX	

<http://www.njaes.rutgers.edu/money/pdfs/goalsettingworksheet.pdf>

Example:
A Monthly
Savings
Goal



A saving goal of \$30,000 that will be reached in 5 years

- Amount needed = \$30,000
- Number of months to save:
 $5 \text{ years} \times 12 \text{ months} = 60 \text{ total months}$
- Monthly Amount to Save:
 $\text{Amount needed} / \text{months to save}$
 $\$30,000 / 60 = \500 a month

Cash Flow Budget



- Cash flow budgets are designed to help you determine if your saving goals are realistic
- They identify all cash coming in and all cash going out each month for an entire year
 - Cash in: Income
 - Cash out: Expenses

Three Types of Expenses



- Fixed: same amount paid each month
- Flexible: vary depending on your choices
- Periodic: occur less than once a month

Income
minus
Expenses



- If you have more cash coming in than going out, Congratulations!
 - You can start saving immediately
- If not, then more work is needed to find savings

Types of Savings



- Emergency Fund (3-6 months of expenses)
- Accumulation Funds for large irregular bills
- Savings for short/intermediate goals
- No-Touch Savings for long-term goals

Deciding Your Savings Priorities



- If you cannot save enough to fund all your goals, then you will have to divide your available savings up between them
- Make retirement savings a priority
- Put your savings into an investment(s) designed to help you reach your goal
- Pay yourself first

Ways to Save



- Save coins
- Save a \$1 a day; then increase
- Use automated savings
- Continue paying a loan or bill to yourself
- Accelerate debt repayment
- Track and slash expenses
- Increase household income

Ways to Save



- Reinvest all cash distributions and lump sum payouts
- Use an installment plan IRA that allows weekly contributions
- Take advantage of free money from employer matches, tax credits for low income savers, or catch up contributions for people 50 or older

Summary



- SMART saving goals are needed to create saving plans
- Your savings will need to be prioritized to meet your financial needs
- Look for every opportunity to save

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