

Plan would help Americans to save regularly

Government, nonprofits and firms will assist

Eileen Alt Powell, Associated Press

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Americans have not distinguished themselves as savers. In fact, in recent years they haven't even managed to save 1 percent of their income. A national campaign starting today seeks to help people improve their record by encouraging them to save automatically.

"America Saves" week, which runs through March 1, brings together more than 1,000 government agencies, corporations and nonprofit groups with the goal of increasing consumer understanding of the need to save, whether for emergencies or to make the down payment on a home, to educate the kids or to finance retirement.

"This year, the focus is on making saving automatic," said Nancy Register, associate director of the Consumer Federation of America in Washington, D.C., and national director of the America Saves campaign.

She notes that there's something for everyone to do:

- Employers can make it easier for workers to participate in savings and retirement programs funded directly from their wages.
- Banks and credit unions can promote automatic transfers from checking accounts to savings and investment accounts.
- Educators can talk about automatic deposits and the power of compound interest.

Details of the national campaign - which has adjunct campaigns for the military, Latinos and African Americans - can be found at www.americasavesweek.org.

"It's an opportunity to shine a bright spotlight on savings behavior and create 'to-dos' for the rest of the year," Register said.

Put it on automatic pilot

Experts say that putting savings on automatic makes it easier.

David Bach, a financial adviser and author of "The Automatic Millionaire" and other financial advice books, said that "the true secret to getting out of debt, building financial security and ultimately finishing

rich is to save automatically."

On the savings side, a consumer makes just one decision - say, to save \$100 a month - then sets up an automatic transfer from a checking account to a savings account and doesn't have to worry about it again.

"If you have to write a check, budget, use discipline, think about it, juggle this and that. ... most people are simply too busy to consistently save money over time," Bach said. "Put it on automatic and it happens."

Bach suggests consumers try to save the equivalent of one hour a day of income, which works out to 12 1/2 percent of gross income for an eight-hour workday.

"That's a big boost, because the average American currently is saving less than the equivalent of 10 minutes of work," he said.

For long-term savings, consumers should look at fully funding tax-advantaged retirement accounts, such as 401(k)s and 403(b)s, Bach said. Those who don't have company-sponsored accounts can set up their own individual retirement accounts - funded with automatic transfers.

Consumers also need a short-term savings account to cover emergencies, Bach said. This, too, can be created automatically by having a set sum of money, say \$50 every two weeks, put into a savings account.

Some Americans might think it's foolish to try to start a savings program in the midst of the credit crunch that's taking a toll on the economy.

More important than ever

But Daniel Mica, president and CEO of the trade group Credit Union National Association, said that misses the point.

The daily reports of people falling behind on credit card payments and mortgages, he said, "should drive home the point that people need to have savings, rainy day funds, backup."

One of the advantages of having money transferred automatically into a savings account is that "you never miss it," Mica said.

And that money can benefit from compound interest: just \$50 a month, invested at a yield of 5 percent, will turn into more than \$76,000 over 40 years.

"And anytime you get some extra money, like a tax refund or a tax rebate, a certain amount should go into savings, too," Mica said.

5 savings strategies

The American Saves campaign encourages consumers to save for their future. Here are five recommended steps:

-- Participate in work-related retirement programs.

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

-- Pay off high-cost debt.

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

-- Earn up to 4 percent or more on certificates of deposit or U.S. savings bonds.

More information is on the America Saves Web site: www.americasavesweek.org.

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<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/02/24/BUCTV5UNK.DTL>

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