

Consumer Information

Decreased debt vs. increased savings

MADISON, Wis. (1/19/10)--If your financial goal is to reduce debt in 2010, you're in good company. More than 75% of respondents in a National Foundation for Credit Counseling (NFCC) poll selected debt reduction as their No. 1 New Year's resolution (*National Foundation for Credit Counseling* Jan. 4).

If boosting savings isn't high on your priority list as well, you could be headed down a slippery financial slope. Without adequate savings, a financial emergency limits your options to borrowing from family or friends, using money allotted for necessities such as rent or mortgage, or charging the unexpected expense to a credit card with an already high balance and interest rate.

The NFCC recommends focusing on savings as the key for achieving financial stability. Designating 10% of each paycheck as an automatic deposit in a "rainy day" fund for a year gives you a little more than one month's income--a good cushion for most emergencies.

An already tight budget can make squeezing out an extra 10% a challenge. One way to find hidden money is to track all spending for 30 days. Gather receipts and put items in categories. What's a necessity? Food, transportation to work, and utility bills all qualify. What costs could you reduce or eliminate? Watching free movies from the library, packing lunch, and carpooling to work may be alternatives. Make it a family activity to determine how much money you can save each month.

An adequately funded savings account can provide you and your family with a financial safety net that eliminates the need to make a resolution about debt reduction. It puts you in control of your money.

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