Educational Program 1

Managing your money in today's busy world:

Given everything that parents have to do, it's no wonder that most of us feel both chronically anxious about money and chronically short of time to do anything about it. Who has time to make a detailed budget, read up on hot stocks, and figure out the smartest ways to save for retirement and the kids' college – when what we really want to do by tomorrow is write checks for the credit card and electric bills?

It's not that we lack for information or advice. In fact, the sheer volume of material on the Internet and in print, not to mention well intentioned tips from relatives and friends, can be overwhelming.

But you do need good information if you're going to make smart financial decisions – decisions that can profoundly affect your family's future. That's where the information contained in this packet comes in. It contains a lot of nuts-and-bolts information about saving, spending, and investing.

We've tried to concentrate on the things that every family needs to know, like:

- Budgeting basics-just enough to get to know where your money's going
- Socking away a reasonable fund for emergencies
- Saving for retirement, including some ways you could easily overlook
- Saving for college in a way that saves on taxes and give you the most flexibility
- Making smart decisions about your biggest purchase: your home
- Investing with a simple strategy that will pay off in the long term, and
- Protecting your family with insurance and some basic estate planning

Getting started is the hardest part so we've designed this packet in an organized series of steps to help simplify the process. We'll let you know that steps are most important and what can wait until you have more time, money, or both. You'll probably be pleasantly surprised to discover that you really can get a handle on your finances and start thinking about your financial future with confidence.

If you've tried before to tackle financial matters but given up, or you've avoided the topic, you're not alone. Most people haven't done much financial planning at all. Now's the time to stop worrying about what you haven't done and get to work. This packet can help, with hands-on, practical advice. We hope it's a valuable companion along your path to a worry-free financial future.

Question 1: Do you like thinking about money?
Question 2: If you won $1000, would you save or spend it?
Question 3: Would you invest in my brother's "sure fire" new business?
Question 4: Does being part of a couple mean merging financial lives?

Managing Money - Budget Basics

Creating a Budget Doesn't Have to be Hard - For most people, the word "budget" conjures up thoughts of penny-pinching and the unpleasant task of crunching numbers. This couldn't be further from the truth. A budget is at the cornerstone of a solid financial foundation, regardless of your situation, and it isn't that hard to do.

What is a Budget? - A budget is nothing more than a breakdown and plan of how much money you have coming in and where it goes. Could you imagine a business becoming successful if it didn't keep track of its income and expenses? The same holds true when it comes to your personal finances. If you don't know how much money you have coming in and where it goes, your road to financial success will be a difficult one.

The biggest fear that most people have when creating a budget is that they will need to suddenly cut back on all of the fun spending -- things like the occasional coffee or dinner out, movie night, or even the trip to grandma's for the holidays. While you may find that you do need to cut some spending after putting together a budget, without actually sitting down and creating one, it is impossible to know what expenses, if any, need to be cut.

Tracking Income - The first step in creating a budget is to determine how much income you have. This is quite easy and typically only requires you to take a look at your pay stub. Of course, if you're married, be sure to include your spouse's income as well. In addition to your regular pay, you'll want to also include any other sources of income you may have, such as dividends, interest, a side business, and so on.

Tracking Expenses - Now that you know how much income you have coming in, it's time to take a look at your monthly expenses. Start with the regular and fixed payments you have, such as your mortgage or rent, car payments, insurance, debt and taxes. For most people, these are going to be relatively fixed, meaning you can't easily change the amount that is due each month.

After you've listed your fixed monthly expenses, it is time to dig deeper to find out where the rest of your money goes. Take out your checkbook or pull your latest bank statement to help you with this step. Jot down how much you spend on things like utilities, groceries, entertainment, subscriptions, and so on. This handy worksheet can help you with keeping track of expenses.

The Bottom Line - You should now have all of the information needed to help you create your budget. So, go ahead and total up your monthly income and all of your monthly expenses. Subtract your expense total from your income total and you'll have either a positive or negative number. If you have a positive number, congratulations, you are spending less than you earn. Don't worry if you have a negative number. The whole reason for creating a budget is to identify deficiencies and find out how to address them.

Now that you can visually see how much you fall short, you can adjust your spending or saving in certain areas to improve the situation. Oftentimes you'll realize that by just making a few small adjustments to your spending habits, you can significantly improve your situation. Maybe this means cutting back on one of your magazine subscriptions, eating out one time less a month, or even just hitting the matinee instead of the prime-time movie. Typically, just saving a few dollars here and there can be enough to not only make sure you spend less than you earn, but also apply a few extra dollars to things like high-interest credit card debt or your retirement savings.

The Importance of Emergency Savings

Building an emergency savings fund is the top goal of American Savers. Nearly a third of Savers who have enrolled locally or nationally have chosen "emergency savings" as their first wealth-building goal.

Why Build an Emergency Fund - Having an emergency savings fund may be the most important difference between those who manage to stay afloat and those who are sinking financially. That's because maintaining emergency savings of $500 to $1,000 allows you to easily meet unexpected financial challenges such as:

- repairing the brakes on your car;
- buying your child a new pair of needed shoes;

- replacing a broken window in your house;
- paying for a visit to the doctor when your child has the flu;
- covering the dental expense of filling a painful cavity;
- paying for a parking ticket; or
- flying to visit a sick parent.

The emergency fund not only allows you to cover these expenses, it also gives you the "peace of mind" that you can afford these types of financial emergencies. Not having an emergency savings fund is an important reason that many individuals borrow too much money at high interest rates. For example, with emergency savings, Americans probably would not have to take out $2 billion a year in payday loans at interest rates that average 300 to 500 percent.

<u>Where to Keep Emergency Savings</u> - It's usually best to keep emergency savings in a bank or credit union savings account. These types of accounts offer easier access to your money than certificates of deposit, U.S. Savings Bonds, or mutual funds.

But not too easy. Keeping your money in a savings account makes it much less likely that you will use these savings to pay for everyday, non-emergency expenses. That's why it is usually a mistake to keep your emergency fund in a checking account.

You may well need at least $100 to open the savings account and a $200 minimum balance to avoid monthly fees. In most areas, however, there are several financial institutions with lower minimums. Also, banks and credit unions may waive the minimums if you have other accounts at that institution. If you become a Saver in a local America Saves campaign, a number of participating financial institutions will make available to you low or no-minimum savings accounts. Check the America Saves website for information about local campaigns.

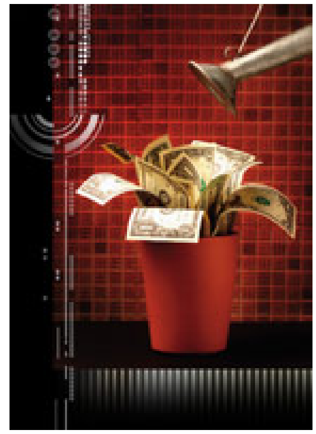
<u>How to Find Money to Save</u> - There are many places to find money to save. Start with the loose change that many people accumulate. Americans typically save more than $100 in loose change each year. Use this change to open and grow a savings account. If you receive a tax refund or Earned Income Tax Credit, use a portion of this money to begin or increase savings. Since the Tax Credits average nearly $2,000, you may be able to open a savings account and still have plenty of money to pay off debts or cover other expenses.

Try to deposit money saved by cutting back on small, unnecessary expenditures. The America Saves "Build Wealth Not Debt" pamphlet and America Saves website list more than 20 ideas for reducing spending. These ideas range from packing a lunch, to switching from daily lattes to daily coffees, to not bouncing checks.

Building an emergency fund may be easier if you involve your whole family in meeting this challenge. After you've explained the importance of emergency savings to your spouse or children, they may even help build the account. And, they will be more likely to understand why it's more important for you to increase these savings than to pay for expensive gifts at birthdays or Christmas.

Another way to accumulate the $500 to $1,000 of emergency savings is to ask your bank or credit union to automatically transfer funds from checking to savings monthly. Automatic savings is the easiest savings. What you don't ever see, you may never miss.

How Much Will You Need to Retire?



In order to answer this question, you must sit down and picture retirement in your own mind. Retirement means different things to different people. For some, retirement means being sufficiently financially independent to travel and relax 24 hours a day. Others may view retirement as a "career change." However you view retirement will help you determine how much you will need to retire. So let us help you paint that picture.

Will your lifestyle change dramatically in your retirement vision? Or will you, like most persons, continue doing the things you currently do, trading "work" for leisure and volunteering? Will you incur more expenses in retirement for leisure and travel? Or will you prefer to spend more time with your children, grandchildren, and family?

Many "experts" claim that the average person needs 65 percent to 75 percent of his or her pre-retirement income. However, that is average, and we have never met an average person. You can get a good idea of how much you need by examining your current lifestyle and adjusting it for your retirement vision.

Retirement: What Are Your Current Needs? - The best way to determine how much money you will need in the future is to know what you need right now. Some people think they need their current income. That is not true. You need "cash inflows" to cover your current expenses, taxes, and savings for future needs.

In retirement, you will need cash inflows to cover expenses and taxes only. You may wish to continue saving for your heirs, but that is not a need. Your expenses may change if you change your lifestyle, and your taxes will change depending on whether your cash inflows are from "income" or a return on investment.

What Expenses Will You Have in Retirement? - Let us start by looking at our expenses. In retirement, you will have pretty much the same expenses that you do today. You should make a list of the following expense items and the amounts you currently spend for them. You may wish to tweak them if you envision a lifestyle change down the road.

Expense	AV*	Amount
Housing (rent, mortgage, taxes, utilities, savings for repairs, insurance)	20%	
Groceries (food, household supplies, dining out)	11%	
Personal (clothing, dry cleaning, personal care)	5%	
Automobile (payments, maintenance, gasoline, commutation, auto insurance)	9%	
Unreimbursed medical expenses and medical insurance payments	4%	
Insurance (life, disability, accident, and umbrella) not paid by employer	4%	
Recreation (vacation, clubs, theater, subscriptions, books, etc.)	5%	
Gifts to charity and others (weddings, birthdays, holidays)	2%	
Interest on consumer loans and credit cards	4%	
Other (in case we missed anything)	8%	
* AV = The percentage of gross income by "the average couple" in their 60s. However, we've never met an average person.		

How Will Inflation Affect Your Retirement? - When calculating which of your current expenses you will have in retirement, keep in mind that they are in today's dollars. To get a better idea of what they will be when you are ready to retire, you should adjust them for inflation. Unfortunately, no one knows the future rate of inflation, so you are on your own to make a guess. The table below shows how much to multiply your expenses by for different rates of inflation.

For example, if you have 15 years until retirement and expect a 5 percent inflation rate, you should multiply your current expenses by the inflation table factor of 2.08.

A current need of $5,000 per year translates to a requirement of $10,400 per year 15 years later—just to stay even ($5,000 x 2.08)!

Years to Retirement	Annual Rate of Inflation		
	4%	5%	6%
5 Years	1.22	1.28	1.34
10 Years	1.48	1.63	1.79
15 Years	1.80	2.08	2.40
20 Years	2.19	2.65	3.21
25 Years	2.67	3.39	4.29
30 Years	3.24	4.32	5.74

Inflation has been around or under 4 percent over the last few years. However, we have experienced periods of double-digit inflation (in the 1980s). Once you have adjusted your expenses for inflation, you should add them up. That is how much cash inflow you need in retirement.

What Will Social Security and Your Pension Provide? - If you have been working all your life contributing the maximum to the Social Security system, you could receive over $15,000 at your normal retirement age ($24,000 for a couple). Of course, these figures will be adjusted for inflation. If you choose to start receiving your benefits before your normal retirement age, you will receive a reduced benefit. To find out how much you are entitled to, you should send for the *Request for Earnings and Benefit Estimate Statement* from the Social Security Administration (SSA). You can obtain a free form from your local SSA office. Its telephone number is listed in your White Pages.

You can send for the Request for Earnings and Benefit Estimate Statement from the Social Security Administration.

If you worked for an employer who had an employee retirement plan, you might be entitled to retirement benefits. There are different kinds of plans in use today. A typical "defined benefit" plan may provide as much as 50 percent or more of your final average salary at normal retirement age (as defined in the plan document). A "defined contribution" plan will provide you with a lump sum at retirement that you can convert into retirement income.

You should contact the personnel or human resource department of your employer to get an estimate of your retirement benefits, if any.

What Is an Annual Retirement Annuity? - An annuity is a reverse loan. It is a systematic withdrawal (cash flow) from an investment made periodically as a return of interest and principal. You deposit a lump sum and withdraw the same amount each year until it is all paid back.

When you subtract your projected retirement expenses from your expected retirement income, you may find you have a negative cash flow. This negative cash flow is your "retirement cash flow deficit." Once you know what your retirement cash inflow deficit is, you can determine how much you need to save to make up the difference.

For example: let us say you added up your retirement expenses (adjusted for inflation) and your anticipated Social Security and pension benefits and you still need another $42,800 before taxes (retirement cash flow deficit). You estimate that you will need this inflow for 20 years. You expect your investments to earn an average of 10 percent per year.

Years of Annuity	Assumed Annual Percent Earnings Rate (per $1,000 savings)					
	5	7	8	9	10	12
5	220	228	232	236	240	248
10	123	133	138	143	148	158
15	92	103	108	114	120	130
20	76	88	94	101	107	120
25	68	80	87	93	100	114
30	62	75	82	89	96	111

You can use this chart to help calculate how much you need to accumulate before retirement by dividing the annuity amount ($42,800) by the annuity table factor of 107.

$$\text{Savings} = \frac{\text{Annuity}}{\text{Table factor}} \times 1000 = \frac{\$42,800}{107} \times 1000 = \$400,000$$

You would need to accumulate another $400,000 to generate an annual retirement annuity of $42,800 per year. Need a guaranteed income? Many retirement plans use insurance company annuities based upon the same principles plus actuarial assumptions to provide an income you cannot outlive.

The Importance of Retirement Planning - The persistent cry to "save Social Security" is fueled by the realization that there are serious threats to the system. The Social Security benefits of today's retirees are largely paid by the contributions of people who are currently employed. As the Baby Boom generation enters retirement age and as retirees live longer, the number of people collecting Social Security is growing faster than the number of workers paying into the system. No simple fix can remedy this problem in the foreseeable future; any saving of the system will probably involve higher retirement ages, lower benefits, and possibly increased Social Security taxes.

Longer life spans mean more time for inflation to eat away at the buying power of your income.

The shakiness of Social Security is only one challenge facing tomorrow's retirees. Longer life spans mean more time for inflation to eat away at the buying power of your income. As people grow older, they may eventually need such services as ongoing healthcare and assisted living arrangements—expensive services that can quickly wipe out a life's savings. All this is beyond the cost of travel, retirement homes, and leisure activities that are part of the dream retirement for many people.

If we want our retirement to be anything like our dreams of leisure and security, it is clear we have to plan carefully to make sure we will have the resources we need.

Determining Your Retirement Goals - The first step in planning for your retirement is to determine how much money you'll need for retirement; to know that, you first have to determine the retirement lifestyle you want. You'll want to answer these questions:

- ***How early do you want to retire?*** The earlier you want to leave the workplace, the less time you will have to get your financial act together and the more time in retirement you will need to fund.
- ***What other plans will you have?*** Do you want to buy a sailboat, retirement home, or the camper of your dreams? Does your health suggest you may need more medical care?

- ***What will inflation do to your income?*** You need to consider how inflation will change your income needs. In 20 years, a 4 percent inflation rate will more than double the amount of money you'll need to keep your current standard of living.
- ***What percentage of your current living expenses will you require?*** You may not need the large home, several cars, or funds to pay for raising children and holding a job. But if you plan to travel or live the country club lifestyle, certain expenses may increase.

When you've determined how much money you'll need to retire on, you'll be able to compare that with your current savings and investments and plan for a way to make up the difference.

Determining Your Retirement Resources - If you have taken the time to determine what your needs for income in retirement will be, the next step in retirement planning will be to add up the resources you expect to have from your current saving and investment.

- Start by determining the income that will be provided by your current sources of retirement income: your pension plan and any employer-sponsored savings and investment plans you may participate in at work; any individual retirement accounts (IRAs) you have established; other investments and annuities; your savings accounts; and, of course, the value of your home and other property.
- What about Social Security? You might plan based on current benefit levels, but remember that the longer you postpone taking Social Security benefits, the more benefits you can receive until your full retirement age. If you are in your 20s, 30s, or 40s, it may be best not to include Social Security benefits in your planning at all.
- Next, you will need to convert all your sources of retirement income into an annual income stream and make an estimated adjustment for inflation. When you subtract your estimated annual income from your estimated needs, you will know where you stand.

If you are like many people, there is probably a gap between where you would like to be at retirement and where your current rate of saving and investing will bring you. The next step in retirement planning, then, is to determine what you will do about the shortfall.

Saving for College

According to the Bureau of Labor Statistics, the tuition component of the Consumer Price Index (CPI) increased by 8% per year, on average, from 1979 to 2001. This means that children born today will face college costs that are 3 to 4 times current prices by the time they matriculate.

Parents should expect to pay at least half to two-thirds of their children's college costs through a combination of savings, current income, and loans. Gift aid from the government, the colleges and universities, and private scholarships accounts for only about a third of total college costs.

Accordingly, it is very important that parents start saving for their children's education as soon as possible, even as early as the day the child is born. Time is one of your most valuable assets. The sooner you start saving for college, the more time your money will have to grow.

If you start saving early enough, even a modest weekly or monthly investment can grow to a significant college fund by the time the child matriculates. For example, saving $50 a month from birth would yield about $20,000 by the time the child turns 17, assuming a 7% return on investment. Saving $200 a month would yield almost $80,000.

September is National College Savings Month!

It is less expensive to save for college than to borrow. Either way, you're setting aside a portion of your income to pay for college. But when you save, the money earns interest, while when you borrow, you're paying the interest. Paying for college before your child matriculates definitely costs much less than paying for college afterward. Saving $200 a month for ten years at 7% interest would yield $34,818.89. Borrowing the same amount at 6.8% interest with a ten year term would require payments of $400.70 a month. At 8.5% interest the payments increase to $431.70 a month. (If your return on investment is 4% instead of 7%, you'd accumulate $29,548.13. Borrowing this amount at 6.8% interest would entail monthly payments of $340.04; at 8.5% interest the monthly payments would be $366.35. If your return on investment is 10%, you'd accumulate $41,310.40, corresponding to monthly payments of $475.40 at 6.8% and $512.19 at 8.5%.) So if you elect to borrow instead of saving, you will be paying 1.7 to 2.6 times as much per month.

Even if college is just a year or two away, it is never too late to start saving. There are tax benefits to saving in a section 529 college savings plan or prepaid tuition plan, and every dollar you save is a dollar less you'll need to borrow.

This section of FinAid discusses methods of saving for college. It starts with advice on deciding how much to save and tips on making saving easier. It also discusses common myths about saving, the best investment strategies, and the financial aid impact. There are also several college savings calculators and other useful tools. This section also provides information about the advantages and disadvantages of the most common college savings vehicles, identifying section 529 college savings plans as the best. It also discusses credit card rebate and loyalty programs that help you save for college by rebating a portion of your purchases to your college savings fund.

For a basic overview of saving for college, see FastWeb's Introduction to Saving for College.

Topics about saving in general include:

- Setting Savings Goals. How much should you save?
- Myths About Saving. Three wrong reasons parents use to avoid saving.
- Tips for Making It Easier to Save. These tips will help you find the money to save.
- Account Ownership: In Whose Name to Save? This includes information about the financial aid impact of account ownership, such as the very high negative impact of saving in the child's name. A separate page provides additional information about the financial aid treatment of trust funds.
- Tax Savings from Child Asset Ownership.
- Gift and Estate Taxes. This summarizes the gift tax provisions to the extent they affect saving for college.
- Investment Strategies. These tips will help you maximize your return on investment while minimizing your risk.
- Prioritizing Savings. Should you save for college or for retirement?
- College Savings Calculators. These tools can help you evaluate the impact of different decisions about college savings.
- Tuition Inflation. This includes information about historical average annual increases in college tuition rates.
- Education Tax Benefit Coordination. This describes coordination restrictions on using tax-free distributions from 529 plans and education savings accounts in conjunction with other education tax benefits.
- College Savings Surveys. This includes the results of numerous surveys of parents on the state of their college savings.

There are about a dozen different college savings vehicles available. Choosing among the many options can be confusing, so first check out our College Savings Checklist of questions to ask about every type of college savings account.

If you don't have time to make your own decision, open a section 529 college savings plan for each of your children. Section 529 college savings plans are one of the best college savings vehicles because of the tax advantages, the low impact on need-based financial aid, the flexibility, the high contribution limits and the lack of income phaseouts, and because control over the account remains with the parent. You should also explore some of the loyalty programs, because they provide an easy way to get additional money for your college savings plan.

The complete list of college savings vehicles are as follows:

- Section 529 Plans. These include Section 529 College Savings Plans and Section 529 Prepaid Tuition Plans. It includes information about all state section 529 plans and the Tuition Plan Consortium's prepaid tuition plan for private colleges, including ratings of all the section 529 college savings plans for state residents and non-residents and a list of which states provide deductions for 529 plan contributions.
- Credit Card Rebate and Loyalty Programs. These are affinity programs such as Upromise, BabyMint, and SAGE Tuition Rewards.
- Savings Social Networking Programs. These programs leverage your social network of friends, family and local businesses to help your children save for college and reward academic achievement in school.
- CollegeSure CD from College Savings Bank
- US Treasury Savings Bonds, including Series EE Savings Bonds, Series I Savings Bonds, Zero Coupon Bonds and Treasury STRIPS, and Treasury Inflation-Indexed Securities (TIPS).
- Coverdell Education Savings Accounts, formerly known as Education IRAs.
- Money from your Retirement Plan, including penalty-free withdrawals from individual retirement plans (IRAs) and borrowing from your 401(k).
- UGMA/UTMA Custodial Accounts
- Saving in the Parents' Names
- Section 2503(c) Minor's Trust
- Crummey Trust
- Variable Life Insurance Policies (using the cash value of your variable life insurance policy)
- Home Equity Line of Credit. This involves using a home equity line of credit to tap into the equity in your home.

Saving for Home Ownership

For most people, buying a home is both an exciting and challenging venture - it is the quintessential American dream. However, because of the high costs involved, saving for home purchase takes commitment, research, and sometimes sacrifice. This fact sheet will provide general information on the costs involved and the types of expenditures you will need to save for in order to buy your first home.

The Down Payment - The down payment will be the most significant outlay of your pre-purchase costs. The rule used to be that you needed to put down 20% of the purchase price, and you would obtain an 80% mortgage. Today, homebuyers can buy a home with as little as three to five percent down. If you do put less then 20% down, you will probably have to purchase mortgage insurance, which will cost you between .5% to .85% of the loan amount until your equity reaches the full 20%. Keep in mind that the more you put down, the less your mortgage payment will be.

Earnest Money - Earnest money is a cash deposit you make when you submit your offer, which proves to the seller that you are serious about wanting to buy the home. Your real estate broker will deposit the money into an escrow account, and if your offer is accepted, it will be applied towards the down payment. If the offer is rejected, it will be returned to you. Typically, the earnest money deposit will be about two percent of the price of the home.

Closing Costs - Closing costs include all fees required to execute the sales transaction, such as attorney fees, title insurance, appraisals, points, and tax escrows. Typically, these fees are paid up front. The average cost is three to five percent of the purchase price.

Post-purchase Reserve Funds - You may also need to prove to the lender that you have some reserve funds to protect against potential cash flow problems. This not only is assurance for the mortgage holder, but is also for your peace of mind. Post-purchase reserve funds should be at least two months' worth of housing payments (though you may want to have three months worth of reserve funds for greater personal security). This money should be in a savings account, and accessible without penalties for early withdrawal.

Cost Breakdown - So how much money will you need to come up with to buy a home? The actual figure depends on many factors. You may have to save more or less for the same home depending on current interest rates, whether you get a fixed or an adjustable rate mortgage, repayment terms, and your credit rating. Other expenditures you may want to save for are landscaping, immediate repairs, redecorating, furnishings (particularly if you are moving into a much larger space), and moving expenses.

Example for a $200,000 Home
10% Down payment $20,000
3.5% Closing costs $7,000
2 Month reserve fund* $3,300
Total estimated pre-purchase costs $30,300
* $1,650 per month for Principal, Interest, Taxes, Insurance (PITI) and mortgage insurance. Example based on a 30-year fixed mortgage, 7% interest, $2,256 annual property tax, $600 annual homeowner's insurance, and .65% mortgage insurance.

Educate Yourself - Obtaining high quality, objective home ownership education is essential for first time homebuyers. The Department of Housing and Urban Development (HUD) can put you in touch with the nearest housing counseling professional in your area by calling (800) 569-4287. You will learn how to develop a reasonable savings goal and time frame, how large a mortgage you qualify for, and the approximate price range in which you should be looking. You will also be given feedback about your credit score, and what you need to do in order to make improvements. Suggestions may include increasing income, paying down debt, closing unused accounts, paying collection accounts, correcting errors, and making timely payments for a specific time period.

Review Your Budget - Analyze your current financial position by reviewing all assets and liabilities. Do not overlook any source of funds. Include all checking and savings accounts, CDs, stocks, mutual funds and savings bonds. Retirement funds such as a 401k or an IRA can be counted toward the reserve requirement. You may even be able to borrow against your 401k plan and use the proceeds toward the down payment (check with your human resources department for details and restrictions).

Prepare a cash flow budget to determine how much you can realistically save each month. You may choose to sacrifice some expenses or delay the purchase of non-essential items in order to meet your monthly goal.

Save Effectively - Some good techniques for effective saving include:

- Set up direct deposit with your employer, where a portion of your income is siphoned directly to a savings account. What you don't see, you don't miss.
- Track your spending. Awareness leads to diligence and thrift.

- Get the family involved. It is easier to save when everyone is excited and working towards the same goal.
- Tape a photo of the home or type of home you are saving for on the refrigerator or computer. It will be a constant reminder of your objective.

Ultimately, saving for a home is a choice. If you find your savings plan to be unfeasible, consider extending the time frame.

Conversely, if you really want to stick with the original time frame, you may want to buy a home that has a smaller purchase price - and buy "up" later. The idea is not to abandon the dream, but to reassess, reorganize, and persevere.