

One penny at a time

Are you doing everything you can to **save for your future?**

What are savings?

Life can be full of surprises, both good and bad. Savings are the funds you set aside today to pursue financial freedom and security in the future.

Saving money helps you control your spending, be better prepared for emergencies and work toward long-term goals. When you make saving money a habit, it is a commitment to yourself and your financial future.

Key benefits of a savings account

Stability. Unlike certain investments, which may offer higher returns, savings accounts don't swing in value. They **preserve what you have**.

Growth. Your balance grows as you earn interest, and you can **boost that growth** by depositing more.

Safety. The FDIC typically **guarantees principal and interest** for up to \$250,000 per depositor, per institution. That guarantee can help you sleep at night when markets become unpredictable.

Types of savings

- **General:** Often kept in a savings account, which you can access anytime. A savings account typically limits you to a maximum of six withdrawals per month, so it's not a replacement for your checking account.
- **Emergency:** Set aside for emergencies, such as medical bills or a major car repair. Try to save at least three to six months of living expenses in your emergency fund.

- **Retirement:** Typically kept in a tax-deferred investment account, such as an IRA or 401(k), to provide income after you retire. These accounts may place restrictions on your ability to withdraw funds.
- **Long-term goal:** Dedicated to a specific purpose, such as purchasing a home or car. Opening separate accounts for such goals can make it easier to see your progress and stick to your savings plan.

Savings tips



Document your spending. Determine what you currently spend in a month. Your UBS Financial Advisor may suggest online tools to help you track your spending.



Cut costs. Distinguish between your needs and wants. Analyze your credit card and bank statements to identify areas to trim.



Pick a percent. Decide on a percentage of each paycheck to save based on your budget. Aim to save 20% of your after-tax income or as much as realistically possible.



Open a savings account. A dedicated account can keep your savings separate from your spending money. Consider an online account that isn't linked to your checking account so that it's more difficult to tap for fast cash.



Pay yourself first. Think of saving as paying a bill. Monthly automatic transfers from your checking account to your savings can help.



Forget about it. Let your savings account grow. Resist the temptation to dip into it for unplanned or nonemergency expenses.

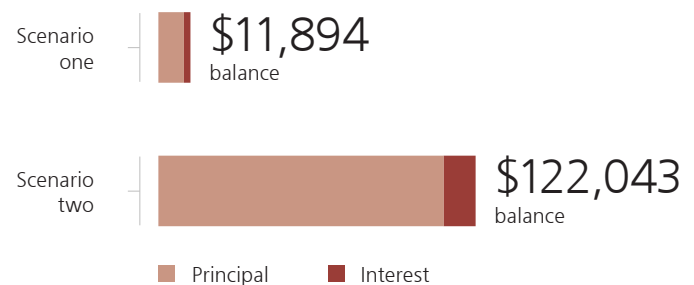
The power of compound interest

A savings account can be a useful tool to grow your money because you earn interest on your interest. This is called "compound interest."

Suppose you put \$10,000 into an account that pays 1.75% compounded annually. In scenario one, assume you make no additional deposits. The amount of interest you earn will still increase every year, thanks to compounding. After ten years you will have earned interest of \$1,894 and a total account value of \$11,894.

Next consider a second scenario, in which you deposit an additional \$10,000 annually. Assuming the same rate of interest, by saving more, you earn more. In scenario two, after ten years you will have earned interest of \$12,043 and a total account value of \$122,043.

Balance after ten years



Key takeaways

- Savings can help you gain financial security, plan for future expenses and build a safety net.
- Savings accounts offer stability and safety but can also grow your money as you earn interest.
- Documenting expenses and controlling your spending can help you save more. Tools that track your accounts may help.
- Get into the habit of saving a portion of your paycheck every month. Automatic transfers can help you stick with your plan.
- Compound interest, or earning interest on interest, can help your money grow faster in a savings account.

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