YOUR MONEY, YOUR GOALS

A financial empowerment toolkit for community volunteers

Modules 1-2: Setting goals, saving, and planning
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Every person or family has a different idea of the future they want to build. Some of the ideas they have are focused on the next few weeks or months, and others are long-term. What do you want for yourself and your family in the near future? What do you want to see in the next few years? These ideas of your future are your hopes, wants, and dreams.

These are important questions, but people sometimes hesitate to ask them because they feel their life is out of control and that they can’t change the direction they’re going.

If you’re like most people, thinking about some of your goals means thinking about the money you need to achieve them. Your goal may be having enough money to pay all of your bills each month, even though your income varies from week to week. It could be having enough money to cover expenses if you are laid off due to seasonal changes in work or to pay off a short-term loan from a family member or lender. Your goals could also include saving money to buy gifts at holiday time, set up an emergency fund, purchase a car, move to a nicer apartment, make a repair on your home, send your child to college, pay for training or education for yourself, pay off student loans, or to put into a retirement account.

Life events and large purchases

People often put off saving for these important goals because they feel like they don’t have enough money to save or they are busy struggling to make ends meet today. They feel like they can’t think or worry about saving for goals, large purchases, or even life events in the future. This can create financial challenges in the future. Not thinking about, planning for, or saving for these things in particular may mean that there is no money to cover:

- Moving in with a partner, getting married, getting separated, getting divorced, or becoming widowed
• The birth of a child
• Faith-based celebrations associated with children
• Your daughter’s quinceañera
• Your son’s bar mitzvah
• Your child’s high school graduation celebration
• Post-high school training or education expenses for your children
• Purchase of a car
• Purchase of a home
• Training or education to help you get a different job or a higher paying position
• Starting a new job
• Tools or equipment needed for your trade or profession
• Wedding expenses for your children
• Short- or long-term disability
• Illness
• Loss of a job (Covering the gap unemployment benefits don’t cover)
• Celebration for a landmark birthday or anniversary
• Illness or death of a family member
• Retirement
• Your own final expenses

Some of these events are likely to occur, and others may never happen to you. But some of them will be inevitable. Because of the expenses that are associated with life events, people often set goals, particularly long-term goals, around them.

Once you know where you are and where you’d like to go, you can start moving in the direction you’ve chosen.
Depending on the goal, it can take just a week, a month, or a few months to reach. These are short-term goals. You may also have long-term goals—things that will take many months or even years to reach.

**Costs of life events**

What is a life event likely to cost? While there are many variables that affect the cost of life events from one person or family to another, here are some average costs of life events in the U.S.:

- Out of pocket childbirth expenses for women with insurance coverage—$3,400
  

- Out of pocket expenses associated with breast cancer—$712/month
  

- Quinceañera—coming of age celebration for 15-year old girls in Latino families—$15,000 to $20,000
  

- Typical cost for final expenses—$10,000
  

**Setting SMART goals**

Setting goals is a powerful process for thinking through your short-term and long-term future and finding ways to turn your vision into reality. It helps you turn your needs, wants, hopes, and dreams for the future into something concrete that you can take steps to achieve.

Setting goals helps you to:

- **Work** toward making your future better
- **Prioritize** how you spend your money so that it goes toward things that really matter to you
- **Measure** and track your progress toward getting the things you want out of life
- **Take pride** in bettering your life and the lives of your children

SMART goals have five important characteristics. They are **Specific, Measurable, Able to be reached, Relevant, and Time bound**. When setting a new goal, think about the following:

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific</td>
<td><strong>Ask yourself:</strong> What will I achieve or who will benefit from the goal? What specific thing will I accomplish? Why is the goal important? Is this goal related to covering the expenses associated with an expected life event? A specific goal has a much greater chance of being met than a general one, because it provides something defined to reach for.</td>
</tr>
<tr>
<td>Measurable</td>
<td><strong>Ask yourself:</strong> How much? How many? How will I know when it is done? You should be able to track your progress toward meeting the goal.</td>
</tr>
<tr>
<td>Able to be reached</td>
<td><strong>Ask yourself:</strong> Is this goal something that I can actually reach? You might want to get out of high credit card debt tomorrow or become a millionaire in a year, but for most of us, those are totally impossible goals. That doesn’t mean that your goals should be easy. Your goal may be a stretch for you, but it should not be extreme or impossible.</td>
</tr>
<tr>
<td>Relevant</td>
<td><strong>Ask yourself:</strong> Is this something that I really want? Is now the right time to do this? Set goals that matter to you and are a priority in your life.</td>
</tr>
<tr>
<td>Time bound</td>
<td><strong>Ask yourself:</strong> By what date must this goal be reached? Goals should have a clearly defined time frame, including a target or deadline date. This helps ensure they are measurable and that actions are planned to reach the goal by the target date.</td>
</tr>
</tbody>
</table>
Here are some hopes, wants, or dreams you might have for your family and how they could be translated into strong goals.

<table>
<thead>
<tr>
<th>Hopes, Wants, or Dreams</th>
<th>Strong Goals</th>
</tr>
</thead>
</table>
| I’d like to be able to pay all of my bills each month.                                  | **Short-term goal:** I will review my budget to see if there are ways to cut my spending by the end of the month.  
**Long-term goal:** I will meet with the Community Action Program to see if I qualify for job training and other benefits by the end of the month. |
| I really want to save some money in case something happens in the future and I lose my job. | I will save $50 over the next eight months to start an emergency fund.         |
| I want to get out of credit card debt.                                                  | I will pay down $1,000 of my debt over the next 18 months.                    |
| I’d like a safe, stable place to raise my children.                                     | **Short-term goal:** I will save $800 for the required first month rent in the next six months so that I can move into a new apartment by June.  
**Long-term goal:** I will save $3,000 for a down payment, apply for additional down payment help, and purchase a home in four years. |
| I’d like to buy a new television.                                                       | I will save $400 and purchase a new television in six months.                  |
| I’d like to help my child go to college.                                                | **Short-term goal:** I will read to my child every night to show that school and learning are important.  
**Long-term goal:** I will save $5,000 in a fund to help pay my child’s tuition in ten years. |

**Building a plan**

Every goal requires two things: commitment and time. To reach goals, you may also need:

- Information
- Tools
- Assistance from a professional
- Transportation
- Other resources
- Money
- An action plan—small steps needed to reach a goal

**Turning goals into financial targets**

For goals that require money to reach, you will want to know: How much do I need to set aside every week (or month) to meet my goal?

When figuring out **how much you need to set aside every week** to meet your goal, you need two pieces of information: the total amount you need to reach your goal and the **number of weeks** you have to reach your goal. Then, you can plug those two pieces of information into this formula:

\[
\text{Total Amount Needed for Goal} \div \text{Number of Weeks} = \text{Amount to Set Aside Each Week for Goal}
\]

**Here is an example:** It is January 1st, and you’ve just set a new goal to save $500 in an Emergency Fund by the time your kids start school at the end of August. You already have your first piece of information: the total amount needed for your goal $500. To get the second piece
of information, the approximate number of weeks, just count the number of months from January to August and multiply by 4. You should arrive at 32 (8 months X 4 weeks).\(^1\)

You can plug these numbers into the formula:

\[
\$500 \div 32 = \$15.65 \text{ (rounded)}
\]

You would need to set aside about $15.65 every week in order to have $500 by beginning of August. (To get the monthly total, divide the amount needed by 8 months instead of 32 weeks.)

**If you felt you could not set aside that much every week, you can lengthen the time to reach your goal.** It’s helpful to use this formula when figuring out if your goal is actually reachable in the timeframe you have set.

Other goals may not require you to set aside money every week. They may require you to get more information, get help from a professional or a financial counselor, use a new tool, or create an action plan. For example, you goal may be:

**I want to pay my bills on time every month starting August 1.**

Assuming lack of money is not the primary reason bills are not being paid on time, here are some steps you could take to reach that goal:

- Collect credit card statements, loan payment statements, utility bills, phone bills, and documentation of other payments you make each month.
- Highlight payment amounts and due dates.
- Fill in the bill paying calendar tool.
- Consider using automatic payment methods for some recurring bills or online bill payment.

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\(^1\) This calculation is designed to simplify planning and can result in individuals reaching their goal more quickly. Because there are 35 weeks in 8 months, this can also allow them to miss their target for up to three weeks in the period and still reach their goal.
What about revising goals?

Goals aren’t something to set and then forget. You need to keep your goals in sight, and you may sometimes need to revise them.

Revise your goals when:

- The goal has been achieved
- The amount of saving every week or month toward the goal is more than what makes sense for your family
- Emergency savings are used and need to be replenished
- Your circumstances change due to life events (such as when you lose a job or get a new job, start earning more money, have a new child, have a health emergency, etc.)
- Your values change and a goal no longer feels relevant

To revise one of your goals, take a look at what has changed.

If one of your goals has been achieved, it’s time to start the process again and set a new goal. Think about what you want for yourself and your family and create a new goal.

If the amount of saving every week or month toward the goal is more than what is possible for you, think about if you can change either total amount of savings or the length of time you have to save. Ask yourself if this goal can wait a bit longer. If it can wait, adjust the length of time you have to save, which will bring down the amount of your weekly or monthly savings. If you can’t adjust the length of time, you can lower the amount of total savings, which will also bring down the amount of your weekly or monthly savings.

For example, in September you decide to buy a new television by the end of November. You’ve looked at models, and the one you want is $600. If you start saving at the beginning of September, you have approximately twelve weeks to save. When you plug this into the formula to see how much you’d need to save each month, you find that you would need to save about $50 every week (or about $200 every month) in order to meet this goal. But what if you don’t have $50 extra dollars in your budget every week? Does that mean buying a new TV is a bad goal?
No - it just means you need to adjust your goal. Are you willing to buy a less expensive television? If you decide that you can spend $300 on your new TV instead of $600, you’ve cut the amount you need to save each week in half.

But if you don’t want to buy a cheaper television, you can decide to lengthen the time you’ll save up for it. Instead of saving for three months, you can extend the time you’ll save to six months. By giving yourself twice as much time to save, you can bring your weekly savings down to $25 and purchase your desired television in February instead of November.

**If you’ve used your Emergency Savings,** they’ve done their job. Now it’s time to replenish them. Create a new goal by figuring out how much Emergency Savings you’d like to have and by when. Calculate the amount you need to save weekly or monthly and start saving. (See *Module 2: Saving for emergencies, goals, and bills* for more information on this topic.)

**When your circumstances change due to life events (such as when you lose a job or get a new job, start earning more money, receive a lump sum from a tax refund or inheritance, have a new child, have a health emergency, etc.),** take stock of your new situation and your goals. If you have less money to put toward savings goals, adjust the length of time and/or the total savings for your goals to make them manageable in your new situation. For example, if you get a tax refund, consider putting some of the lump sum toward one of your goals. This may help you reach the total you need for a goal faster.

**When your values change and a goal no longer feels relevant,** think about what you want for your family in the future. If the goal you set before no longer feels relevant to your life, set it aside and begin setting new goals that do feel relevant.
Tool 1: Goal-setting tool

This tool can help you with the goal-setting process. Identifying goals is important, because it helps you plan for and reach what is most important to you. When it comes to your finances, goals provide the direction for all of your plans. If you don’t plan to save or set aside money for your goals, you probably won’t. And in order to save or set aside for your goals, you have to know how much money you’ll need and by when.

All goals take time and commitment to reach. Many goals also require information, help from a professional, tools, action plans, and money. There are four steps in the goal-setting process:

**Step 1:** Brainstorm a list of the hopes, wants, and dreams for yourself or your family. Determine whether they are short-term or long-term. Write these in the chart below.

**Step 2:** Turn your hopes, needs, wants, and dreams into SMART goals using the second worksheet.

**Step 3:** Create an action plan to reach your goals. For long-term goals, your action plan may be long and involve many steps. For other goals, you may only need to take a few steps to reach your goal.

**Step 4:** Finally, for goals that require money, figure out how much you need to set aside each week (or month) to reach your goal.

If you decide to make a budget or a cash flow budget (See Module 5), be sure to include money you need to set aside for your goals.

**Step 1: Brainstorm list of hopes, wants, and dreams**

Fill in the chart below by listing the hopes, wants, and dreams you have for yourself and your family. Write the things you hope, want, or dream about achieving in less than six months in the short-term column. Write the things you hope, want, and dream about achieving in more than six months in the long-term column.
**Step 2: SMART goals**

Use your list of brainstormed hopes, wants, and dreams to create SMART goals. Use the checklist to make sure your goals are specific, measurable, able to be achieved, relevant, and time bound. You may have many things you want to achieve. If you can focus on one or two, you may have a better chance of reaching that goal.

<table>
<thead>
<tr>
<th>Short-term goal</th>
<th>Long-term goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal:</td>
<td>□ Specific</td>
</tr>
<tr>
<td></td>
<td>□ Measurable</td>
</tr>
<tr>
<td></td>
<td>□ Able to be Reached</td>
</tr>
<tr>
<td></td>
<td>□ Relevant (important to you)</td>
</tr>
<tr>
<td></td>
<td>□ Time bound (is there a deadline?)</td>
</tr>
</tbody>
</table>

**Short-term**
What I want to achieve for myself or my family within six months.

**Long-term**
What I want to achieve for myself or my family that will take more than six months.
Step 3: Action plan

Use the following worksheet to create an action plan. Remember to include resources you may need to reach your goals including:

- Information
- Tools
- Assistance from a professional
- Transportation
- Other resources

<table>
<thead>
<tr>
<th>Steps to goal</th>
<th>Resources needed</th>
<th>Date to complete step</th>
<th>✔️ when complete</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Step 4: Figure out weekly target

Use the chart below to figure out the amount of money you will need to set aside each week to reach your goals. Only use this worksheet if your goal requires money.

<table>
<thead>
<tr>
<th>Goals</th>
<th>Amount needed</th>
<th>Number of weeks to deadline</th>
<th>Amount needed ÷ Number of weeks to deadline = Weekly set aside</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Example: I will save $50 within 6 months to start an emergency savings fund.</td>
<td>$50</td>
<td>24 weeks</td>
<td>$50 ÷ 24 = $2 per week (about $8 per month)</td>
</tr>
<tr>
<td>Goal:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Once you know how much you need to set aside each week to reach a goal, be sure to add it into your budget or cash flow budget. For more information on cash flow budgets, see Module 5: Getting through the month. For ideas on finding money to save, see Module 2: Saving for emergencies, goals, and bills.

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Tool 2:

Planning for life events and large purchases

This tool can help plan for life events and large purchases, such as your daughter's quinceañera, a car, or even tools of the trade you may need to make a living. Follow these steps:

1. **Think about the life events you are likely to experience and large purchases you might need to make.** If you rely on a car to get to and from work, you will probably need to replace this vehicle at some point in the future, maybe even more than once. If you use tools in your trade, they may need to be updated or replaced periodically due to normal wear and tear. Brainstorm a list of those expenses using the timeline chart below. Consider where you are now, and when you are likely to experience some life events (your daughter’s quinceañera or bat mitzvah) or need to make large purchases. If your daughter is eight years old now, her quinceañera will be in seven years. If your car is five years old or has a lot of mileage on it, you may need to replace it within the next five years.

2. **Estimate the costs of these expenses.** Research the costs of large purchases or life events. If the life event or need to make a large purchase is likely to happen more than five years from now, remember that the cost of almost everything gradually increases over time. This increase is called inflation.

3. **Identify potential ways to pay for the large purchases or costs associated with life events.** For example, you can borrow money to buy a reliable used or new car. If you plan to borrow money, consider saving some money for a down payment to keep your monthly payments as low as possible. Many large purchases may require a combination of financing and savings to cover the cost.

4. **Identify ways to keep the costs as low as possible.** For example, for your daughter’s quinceañera or bat mitzvah, can you save on the rental of a location by holding it in a rent-free or reduced-rent facility like a community hall in your community.
Can you save on the meal by involving family and friends in helping you prepare food rather than hiring a catering company?

### Planning for life events and large purchases worksheet

<table>
<thead>
<tr>
<th>Large purchase or life event</th>
<th>Cost of large purchase or life event</th>
<th>Ways to pay</th>
<th>Ways to cut expenses/ reduce the overall cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between 1 and 2 years from now</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between 2 and 5 years from now</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time Frame</td>
<td>Amount 1</td>
<td>Amount 2</td>
<td>Amount 3</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>Between 5 and 10 years from now</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between 10 and 15 years from now</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between 15 and 20 years from now</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 20 years from now</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Use Tool 1: Goal setting tool to estimate the money you need to set aside to cover the large purchase or life event.*
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Tool 3:

Buying a car

Next to buying a home, the cars people buy are the largest purchases many of them will make throughout their lives. In fact, auto loans are the third largest category of household debt, behind mortgages and student loans.

When you buy a car, you can:

- Pay for it in cash
- Borrow money to pay for it and pay it back over time

If you choose to borrow money to pay for it, you can get an auto loan from:

- Credit unions
- Banks
- Finance companies
- Car dealers

When you borrow money with an auto loan, you will pay more for the car because of the interest and fees on the loan. The amount of interest and fees (the annual percentage rate, or the APR) you will pay on a loan may depend on:

- Your credit history
- Your credit score
- The price of the car you are buying

Depreciation

Depreciation is the gradual decrease in the value of an asset. Assets are things that you own that have value. A car is an example of an asset. Every year that you own a car, it is worth less because of wear and tear.
APRs are lower for people with positive credit histories and high credit scores. The APR is also generally lower when you buy a new car.

Shop for a car loan before shopping for a car

When you decide to buy a car, you can check with several banks, credit unions, or other lenders to get a pre-approved loan. Get that pre-approval before you go to buy a car and take the pre-approval with you when you go shopping. Having a loan offer in-hand when you shop for the car puts you in a strong position.

Some people have concerns that shopping around for a loan will have an impact on their credit score. For most people, concentrating your applications in a short period of time can minimize the effect on your credit score. Any negative effect will be small while the benefits of shopping around could be big. ²

When comparing loans, make sure you’re comparing all the terms. If you get competing offers from different lenders, including a dealer who offers you financing, you should take a close look at each of the loan terms, including the amount financed and the length of the loan. Some lenders may tell you they can tailor the monthly payments to suit your budget, but lower monthly payments could involve extending the lifetime of the loan. That could mean you still owe on this car when you are ready for your next one.

Deciding on a down payment

When it comes to buying a car, making a down payment can reduce the amount of interest you pay because you are reducing the amount you have to finance. Here is an example:

Austin can get a reliable used car for $12,000. He has saved $2,000 for the down payment, but one of his friends has suggested that he finance the full amount of the car.

For a 4-year (48-month) loan at 4 APR for the full $12,000 cost of the car, Austin would pay 270.95/month and pay $1,005 in interest over the life of the loan.

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² See Module 7: Understanding credit reports and scores for information on how credit scores are calculated.
If Austin made a $2,000 down payment, he would only have to borrow $10,000. His monthly payment would be $225.79, and he would pay $837.95 in interest. His monthly payment would be more than $45 less than the monthly payment if he borrowed the full amount for the car. Over 4 years, this lowers his monthly expenses by $2,160. This includes the $2,000 he made as a down payment and a savings of almost $170 in interest.

<table>
<thead>
<tr>
<th>Down payment</th>
<th>Amount borrowed</th>
<th>Monthly payment for 48 months</th>
<th>Interest paid over life of loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$12,000</td>
<td>$270.95</td>
<td>$1,005.00</td>
</tr>
<tr>
<td>$2,000</td>
<td>$10,000</td>
<td>$225.79</td>
<td>$837.95</td>
</tr>
</tbody>
</table>

Decrease in monthly expenses and interest savings with $2,000 down payment

$45.16/month

$167.05 over 4 years

Get the big picture

It is important to do your research before buying a car. Getting a good price on a car and considering the monthly costs of owning a car can help lessen your debt load and improve your cash flow. Some widely recognized independent sources such as the National Automobile Dealers Association or Kelley Blue Book offer resources that can help you compare the cost of purchasing, owning and operating a vehicle. It may make sense to pay a little more for a car with consistently lower operating and ownership costs, because it may save you money over the long term.

This Tool is included in the Consumer Financial Protection Bureau’s toolkit. The CFPB has prepared this material as a resource for the public. This material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, or otherwise qualified professional. The CFPB is not responsible for the advice or actions of the individuals or entities from which you received the CFPB educational materials. The CFPB’s educational efforts are limited to the materials that CFPB has prepared.
Resources

For estimates on the value of a vehicle and its cost of ownership:

National Automobile Dealers Association:
http://www.nadaguides.com

Kelley Blue Book:
http://www.kbb.com

If you would like help managing debt or rebuilding credit, visit the National Foundation for Credit Counseling:
http://www.nfcc.org

Housing counselors can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:
www.consumerfinance.gov/find-a-housing-counselor

For additional resources, visit the Consumer Financial Protection Bureau website:
http://www.consumerfinance.gov/askCFPB

If you have a consumer complaint, visit:
http://www.consumerfinance.gov/complaint

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MODULE 2:

Saving for emergencies, goals, and bills

Savings is money you set aside today to use in the future. Sometimes it’s for something people know they will need soon, and sometimes it’s for something that won’t happen for several years. People save for many reasons:

- Unexpected expenses and emergencies
- A bill they know will be due every few months, like car insurance
- Annual expenses like children’s school supplies
- Their own goals, like a new TV, appliances, a home, their children’s education, and retirement

Emergency savings

Everyone has unexpected expenses and emergencies – a suddenly needed car repair, the need to travel to help a sick family member in another state, paying the bills when you’ve had a cutback in hours or even lost your job.

When you save for unexpected expenses and emergencies in advance, you can handle them when they happen without having to skip paying your other bills or borrow money. When you have to skip paying other bills to pay for an emergency, you often pay late fees. And if it results in loss of service (your utilities are shut off, for example), then you have to come up with even more money to turn them back on.
When you borrow money, you have to pay fees and sometimes interest. And on top of that, you will probably have to use some of your income going forward to pay back the money you borrow. So saving money now for unexpected expenses and emergencies can save you money later.

Emergency fund

An emergency fund or a rainy day fund can be an important part of your savings plan. Having your own money set aside to cover unexpected expenses can save you money, because you won’t pay interest, fees, or other costs that come from borrowing the money you need.

How much should you save? Start with $500 as your goal. This is enough to cover a lot of common emergencies: many car repairs, a plane ticket to care for a sick family member, or to pay minor medical costs. Once you reach $500, consider reaching for $1,000. This may be enough to cover your rent if you lose your job, take care of major car repairs, and pay for many household repairs.

Other reasons to save

It is also important to save for periodic expenses—those that come only once or a few times a year such as renter’s insurance, income taxes, automobile insurance, and children’s school supplies. While not unexpected, they can still surprise you.

Saving money is particularly important for people whose income fluctuates, or varies. An hourly worker who is not guaranteed a fixed number of hours per week has fluctuating income. Someone who is employed seasonally—receiving income for only eight out of twelve months because work stops—has fluctuating income, too.

3 While the target amount for an emergency fund will vary from person to person based on their needs, $500 to $1,000 has been suggested as a starting point. See http://www.AmericaSaves.org
Regular saving while you're earning income is crucial to ensuring that you can pay your expenses and bills on time and in full when your income is lower than expected or stops for a period of time.

But knowing it is important to save and actually saving are two different things altogether. That’s why it’s important to learn *how to save*.

### Getting started

Anyone who has tried to save knows that setting money aside isn’t as easy as it sounds. First, you have to make the decision to save. Then you also have to find the money to save. There are basically only two ways to find money to save:

- **You can decrease spending on one item or many things.** Then put that money “not spent” into savings. The easiest way to find a chunk of money to save is to cut one major cost. This may mean dropping a service you’re paying for but may not be using very often, or cutting back on television services (from premium cable service to basic) or phone service (from unlimited texts and calling to a limited or prepaid plan).

- If there are not “major costs” to cut, you may have to cut back a little bit in several different categories of spending—cutting out one meal out per month and consolidating errands to spend less on gasoline.

- **But the big challenge is turning the money you’ve saved by spending less into savings.** You have to move that money you have saved by not spending into a savings jar in your home and then into a savings account at a bank or credit union or a savings bond. If you don’t have a place to set it aside, it can be easy to spend it instead of save it.

- **You can also increase your income.** This can mean taking another part-time job or ensuring you file your taxes and claim tax credits you qualify for. For example, you can save your tax refund for emergencies or unexpected expenses, set it aside for annual expenses (back to school or holiday shopping), use it to pay down debts, use it to take care of car repairs, or set aside for household maintenance. Again, you must make sure that some of that new income gets moved into the place you have decided to save it.
- Information in Module 3, Tool 4: Increasing your income through tax credits explains the Earned Income Tax Credit (EITC) and the Child Tax Credit and how they can help you increase the income you have available to pay bills, pay down debt, or save for your goals.

**Making savings automatic**

If you receive a regular paycheck, one way to build savings is through direct deposit into a bank account or onto a payroll card or by setting up a system of savings.

- **Using direct deposit saves you both time and money.** You don’t have to get your check cashed to use it. And the funds are generally available as soon as they are deposited. That means you get paid on time, even if you aren’t working on payday, and that you get paid at the start of the payday, not the end of the day.

- **If you have a bank account, you can arrange to have some of the deposited money moved automatically to a savings account.** If your weekly paycheck of $245 is directly deposited into your checking account every week, you can have $10 automatically transferred into a savings account. Once you set this system up, you may forget about that $10. And by the end of the year, you will have over $500 in that account.

If your employer allows you to split your direct deposit, consider putting some of your paycheck into savings and the rest into your checking account for your bills and other expenses.

Some payroll cards have a savings or “purse” feature. This feature lets you set aside some of your paycheck on the card for savings. Ask your employer about the specific features of your payroll card. When you do, be sure to ask about the card’s fees.

People who save successfully generally choose a system of saving for their goals. These can include savings for their children’s education and for their own retirement expenses. They make the decision one time, set up the system, and then they save money from every paycheck without having to think about it. If your income is seasonal or fluctuates, however, there may be times you need to temporarily decrease the amount of savings that is automatically deposited from your paycheck.
Check with your employer to learn more about direct deposit and other options for automatically saving some of your paycheck. This can help you be ready for long-term expenses or for those weeks or months you income stops or is less than you planned because of seasonal changes in the availability of work.

You can use Tool 1: Savings plan to figure out why you need to save, how much you need to save, and how you can start to find the money to save.

Savings and public benefits

If you are receiving public benefits, you may want to know about asset limits. Asset limits are rules about how much you can have in assets before your benefits are reduced or eliminated. Different benefits have different limits.

Assets are things you own that have value. Your money in a savings or checking account is an asset. A car, home, business inventory, and land are examples of assets, too.

Assets help you build financial security for you and your family. But if you receive public benefits, some of your assets may affect the benefits you receive. Generally, the assets that may be counted when applying for benefits are “liquid” – money in checking accounts, savings accounts, and investment accounts are examples of liquid assets. If you own your own home or a car, these assets will generally not count against qualifying for benefits.

You can use Tool 2: Benefits and asset limits to figure out the asset limits of the benefits you receive. This can help you save without unexpectedly losing your benefits.

A safe place to save

Setting aside money to save can be hard. It’s important to understand the risks and the benefits of each of the places you can put the money until you want or need to use it. As you consider the

Asset limits and savings

Even if you receive public benefits, you can generally have some savings. Savings are important for building your financial stability. Knowing your state’s asset limits can help you make a savings plan.
options, be aware of the potential costs of each financial product. Tool 3: Finding a safe place to save can help you identify where you’d like to keep your savings.

**Federal insurance for financial institutions**

Two organizations established by the federal government ensure that the money people deposit in banks or credit unions will be there when they want to withdraw it. The Federal Deposit Insurance Corporation (FDIC) insures money in banks. The National Credit Union Administration (NCUA) insures money in credit unions.

In general, the limit is $250,000 per depositor, per insured institution. So, if you have no more than $250,000 in a savings account in an insured bank and the bank fails, you will get all your money back. FDIC and NCUA do NOT insure money that people use to buy stocks, mutual funds, life insurance policies, annuities, or other securities, even if they are purchased from a bank or credit union.

**Your banking history report**

If you are considering opening a savings account, it’s important to understand the impact that your banking history report may have on the type of account you may be able to open.

When you complete the application to open an account at a bank or credit union, they often contact specialty consumer reporting agencies that have information on checking account history. Banks and credit unions contact companies like ChexSystems, TeleCheck, Early Warning, and others like them to find out if you have had prior difficulties using a checking account, including writing bad checks or suspected fraud.
These agencies collect information about how consumers manage savings and checking accounts. They do this for financial institutions that are a part of their network. Financial institutions then use the information to assess the risk of opening an account for a specific person based on his or her past history of managing similar accounts.

The report includes:

- Information about the accounts, such as routing transit number and/or account number
- The date information was reported about an account
- The reason for the report
- Information on returned checks from retailers and other businesses that is reported to a reporting agency such as SCAN (Shared Check Authorization Network)

If you are denied a checking account based in whole or in part on a report from any of these specialty consumer reporting agencies, you have the right to a free disclosure of certain information in your file from the agency. The notice you receive from the bank or credit union will give you the name, address, and phone number of the consumer reporting company and how you can contact it to obtain your free disclosure.
Finding and fixing mistakes in your banking history report

If you find mistakes in your banking history report, you can dispute them by sending a letter (you may choose to use regular or certified mail) describing the mistake and including copies of any evidence.

You can order your own free ChexSystems report online at http://www.consumerdebit.com, call for more information at (800) 428-9623, or send a written request to:

    Chex Systems, Inc.
    7805 Hudson Road, Suite 100
    Woodbury, MN 55125.

You can request your annual file disclosure from TeleCheck Services by calling (800) 366-2425. You can order your TeleCheck Services Report by sending a written request and include a daytime phone number, a copy of your driver’s license, your Social Security number, and a copy of a voided check to:

    TeleCheck Services, Inc.
    Attention: Consumer Resolution – FA
    P.O. Box 4514
    Houston, TX 77210-4515.

To request your Early Warning report, call (800) 325-7775.

Savings plan

Did you know that most people in the U.S. don’t have enough savings to cover a $1,000 emergency? Whether you have low income or high income, most people can expect around

$2,000 worth of unexpected or emergency expenses in a year. These unexpected expenses include medical bills that aren’t covered by insurance, auto repairs, home and appliance repairs, and bills that you still have to pay if you lose your job are the most common.

A savings plan includes:

**The reasons you are saving.** This could include one of your goals, an emergency fund, money to pay for your automobile insurance in three months, or to ensure you have enough money set aside for back to school expenses.

**The total amounts you need to save.** Your savings plan will help you come up with an amount of money you can save every month to reach all of your savings goals.

**How you are going to find that money to save.** These are the specific strategies you are going to use to find money you want to set aside to save. Most people find they have to make choices about cutting back on one expense (or more) to have the money to save for something else. Or they have to figure out a way to get more income. If you have a regular paycheck, another strategy is using direct deposit or transferring a set amount into a savings account each time you get paid. And, if you usually receive a tax refund, you might want to build a plan to save part of your refund. *Module 3, Tool 4: Increasing your income through tax credits* explains the Earned Income Tax Credit (EITC) and the Child Tax Credit and how they can help you save for your goals.

**Where you are going to put that savings.** You have to work hard to save money. You want to make sure you put it in a safe and secure place. An important part of your savings plan is deciding where you will put the money you have saved.

What are the benefits of a savings plan?

- Your plan builds your own personal safety net one paycheck at a time.
- As you build savings, you can have peace of mind knowing you have a little set aside for the unexpected or emergencies.

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5 Consumer Federation of American, [www.consumerfed.org](http://www.consumerfed.org)
- As you watch small amounts add up, you’ll move closer to reaching your goals and almost always pay less than when you use credit and rent-to-own.

- And, you’ll save money by avoiding late fees, interest charges, and other costs related to not covering expenses or borrowing money. And when you avoid borrowing, you don’t have to commit future income to paying off your debt.

Here is an example scenario using different options for taking care of emergency expenses. The example examines the costs of paying for an unexpected expense with emergency savings, a credit card, or a payday loan.
COST TO REPLACE SPARK PLUGS ON YOUR AUTOMOBILE = $350.

<table>
<thead>
<tr>
<th></th>
<th>Emergency savings</th>
<th>Credit card</th>
<th>Payday loan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount</strong></td>
<td>$350</td>
<td>$350</td>
<td>$350</td>
</tr>
<tr>
<td><strong>APR</strong>&lt;sup&gt;6&lt;/sup&gt;</td>
<td>21.99% annual percentage rate (APR)</td>
<td>$15 for every $100 borrowed for 14 days. This means a 391% annual percentage rate (APR).&lt;sup&gt;7&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td><strong>Payment</strong></td>
<td>Must pay at least a certain amount each month.&lt;sup&gt;8&lt;/sup&gt; (For the purposes of the example, the individual is choosing a fixed monthly payment of $50.)</td>
<td>Must pay back loan amount ($350) plus fee ($52.50) within 14 days. If entire loan cannot be paid within 14 days, it can be rolled over (or extended) for another 14 days for an additional fee of ($52.50).&lt;sup&gt;9&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td><strong>Total additional cost and time to repay</strong></td>
<td>You would pay $28.11 in interest in addition to the principal borrowed. It will take just over eight months&lt;sup&gt;10&lt;/sup&gt; to pay back the full amount.</td>
<td>The total cost depends on how long it takes you to save up to pay back the entire loan. If you renew or roll over this loan seven times, you would be in debt for 14 additional weeks and could pay up to $367.50 in fees.&lt;sup&gt;11&lt;/sup&gt;</td>
<td></td>
</tr>
</tbody>
</table>

<sup>6</sup> These are for example purposes only. Actual credit card and payday loan terms vary, and some states restrict payday loans. The CFPB notes that, APRs on credit cards can range from about 12 percent to 30 percent. For payday loans, the CFPB notes that the cost of the loan (finance charge) may range from $10 to $30 for every $100 borrowed. A typical two-week payday loan with a $15 per $100 fee equates to an APR of almost 400%. See CFPB, *What is a payday loan?* November 6, 2013. See [http://www.consumerfinance.gov/askcfpb/1567/what-payday-loan.html](http://www.consumerfinance.gov/askcfpb/1567/what-payday-loan.html).

<sup>7</sup> Some states have laws that limit the amount of loan and/or limit the interest rates of these loans.

<sup>8</sup> Most credit card companies allow customers to pay a percentage of the amount owed, which makes the minimum payment vary from month to month. For the purposes of this example, we are showing a fixed monthly payment.


<sup>10</sup> To pay off this credit card balance in full, the individual will have to make $50 payments for seven months, and then pay just over $28 in the eighth month.

<sup>11</sup> Two-thirds of repeat payday borrowers take more than seven loans in one year. Consumer Financial Protection Bureau, *Payday Loans and Deposit Advance Products*.
Saving for education

Individuals with children may want to work toward making a better life for them. Saving for children’s postsecondary education or training may be one of their financial goals, because they see it as a path to “a better life.” Training and education after high school graduation (including completion of a General Education Development test or GED) can be an important investment of both time and money. It is likely to lead to higher wages on average, less chance of unemployment, and a greater chance for financial security.

**FIGURE 1:** MEDIAN WEEKLY EARNINGS, 2012

![Median Weekly Earnings Chart](http://www.bls.gov/emp/ep_chart_001.htm)


Saving for children’s education can help pay for the increasing costs of training and education after high school. Money saved for education can also reduce the amount of money that must be borrowed and may increase the number of options children have for schooling after high school. There are many financial products geared toward helping people save for children’s education, but the first step is setting a goal and setting aside money specifically for it.
Once someone has done this, he can save for postsecondary education in a savings account, a certificate of deposit, or an investment option designed specifically to help people save for postsecondary education. One option is a 529 college savings plan. These are tax-advantaged savings plans designed to help parents, guardians, and grandparents save for children’s education.

For more information on saving for college using a 529 Plan, visit www.collegesavings.org.

**Savings accounts for children**

People who want to teach their children about saving may be able to start a savings account for their children. Each financial institution has its own policies, so research both local and online bank and credit union options.

What are the benefits of opening a savings account for a child?

- Providing a safe place for a child to put money earned or received as gifts
- Introducing a child to saving and using financial services
- Helping a child to build assets and learn to plan for the future
Tool 1:

Savings plan

This tool can help you make a plan to save money for:

- Your goals
- Expenses
- Unexpected expenses and emergencies

There are two steps to making a savings plan. First, answer the set of questions below to see if setting up an emergency fund or rainy day fund may be right for you.

If yes, complete the savings plan using the worksheet that follows. To complete this worksheet, you will need to know:

- **Your savings goals.** If you haven’t set these, consider using the information and tools in Module 1: Setting goals.

- **Strategies you can use for saving money.** The worksheet encourages you to be as specific as possible. See the example in the worksheet to get started.

- **Where you will put the money you save.**
Is an emergency fund or rainy day fund right for you?

Answer the following questions to see if setting up an emergency fund or rainy day fund may be right for you and your family.

<table>
<thead>
<tr>
<th>Goals: Do you have the savings needed to reach your goals?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses: Do you have money set aside for expenses that come one to four times per year?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>For example, automobile insurance, renter’s insurance, tools for your trade, back to school expenses, birthdays, holidays (gifts, special food, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unexpected Expenses and Emergencies: Do you have money set aside for unexpected expenses or emergencies?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>For example, a flat tire or other car trouble, medical expenses, need for a new appliance, job loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Living expenses for months or weeks with no income or income that is less than expected: Do you have money set aside to cover your living expenses during the months you will be earning little or no income?</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

If you answered no to any of these questions, developing a savings plan may be a great next step for you.
For questions above to which you answered “no,” how do you pay for goals, expenses that come one to four times each year, and unexpected expenses and emergencies? Check all that apply to you.

_____ I don’t know. It just seems to work out.

_____ I don’t pay other bills to cover the emergency or unexpected expense.

_____ I borrow money from other family members or friends.

_____ I get a payday loan.

_____ I get cash through a pawn shop.

_____ I use a credit card.

_____ I use a refund anticipation loan (RAL).

_____ I use my tax refund.

_____ I use a car title loan.

_____ I ask people who owe me money to pay it back.
### Savings Plan

<table>
<thead>
<tr>
<th>Name</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Savings goal</th>
<th>Total amount needed</th>
<th>Months to reach goal</th>
<th>Monthly amount to save</th>
<th>Strategies for saving</th>
<th>Amount saved per month</th>
<th>Safe and secure place for savings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Example:</strong> To save $1,000 in an emergency fund within 10 months.</td>
<td>$1,000</td>
<td>10</td>
<td>$100</td>
<td>Cut back to basic cable</td>
<td>$40</td>
<td>Savings account at a bank or credit union. Will generally require a minimum deposit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cut out one fast food meal per week for family</td>
<td>$60</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Total saved per month</strong></td>
<td><strong>$100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Once you have your savings plan, be sure to add it into your cash flow budget. For more information on cash flow budgets, see *Module 5: Getting through the month*. For more information on setting up an account to save in, see *Module 8: Money services, cards, accounts, and loans: Finding what works for you.*

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12 This table refers to a monthly savings plan. Irregular savings deposits as well from such places such as Federal and State EITC returns can also be entered as a one-time deposit. An example could include depositing $200 of a $2,000 EITC return.
This Tool is included in the Consumer Financial Protection Bureau’s toolkit. The CFPB has prepared this material as a resource for the public. This material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, or otherwise qualified professional. The CFPB is not responsible for the advice or actions of the individuals or entities from which you received the CFPB educational materials. The CFPB’s educational efforts are limited to the materials that CFPB has prepared.

This Tool may ask you to provide sensitive personal and financial information. The CFPB does not collect any information from you or the organization using this Tool. The CFPB is not responsible and has no control over how others may use the information that you provide to them about your personal or financial situation. The CFPB recommends that you do not include names or account numbers and that users follow their organization’s policies regarding retention, storage, and disposal of documents that contain personal information.
Tool 2:

Benefits and asset limits

If you are receiving public benefits, you may want to complete this tool to know how your savings might affect your benefits.

Assets are things you own that have value. Your money in a savings or checking account is an asset. A car, home, business inventory, and land are examples of assets, too.

Assets help you build financial security for you and your family. **But if you receive public benefits, some of your assets may affect the benefits you receive.** Generally, the assets that may be counted when applying for benefits are “liquid.” They include money in checking accounts, savings account, and investment accounts. If you own your own home or a car, these assets will generally not count against qualifying for benefits. In some states, however, if a car exceeds a set value, the amount over that value may be counted.

If you have saved money from the Earned Income Tax Credit, this savings is generally not counted against your limit for up to 12 months.

<table>
<thead>
<tr>
<th>Do you receive public benefits?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>For example, food stamps (SNAP), cash assistance (TANF), Supplemental Security Income (SSI), Medicaid, etc.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If you answered “yes” to the question above, you may want to review the following tool.

It important to note that some benefits are federal, and some benefits come from the state. Be sure you find out the rules that apply to the benefits you get in your state.

**Please note that rules regarding benefits change regularly, so check this annually to ensure accuracy.**
### Benefits and asset limits list

<table>
<thead>
<tr>
<th>Benefit&lt;sup&gt;13,14&lt;/sup&gt;</th>
<th>Do you have this?</th>
<th>Asset limits</th>
<th>Contact and other information</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNAP&lt;sup&gt;15&lt;/sup&gt;</td>
<td></td>
<td>While the states have discretion, the Federal Asset Limits for SNAP benefits are up to $2,000 in countable resources (bank account) or $3,250 if one household member is over 60 or disabled.&lt;sup&gt;16&lt;/sup&gt; States using broad-based categorical eligibility have no asset limits.&lt;sup&gt;17&lt;/sup&gt; This means that if an individual qualifies for TANF, SSI, or General Assistance, he or she automatically qualifies for SNAP.</td>
<td>To get information about SNAP benefits in your state, call your state hotline number. You can find the hotline number by visiting: <a href="http://www.fns.usda.gov/snap/state-informationhotline-numbers">http://www.fns.usda.gov/snap/state-informationhotline-numbers</a></td>
</tr>
</tbody>
</table>

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13 This information is current as of November 2014 and pertains to 2014.


15 In general, only your liquid assets – like cash or money in savings or checking account – are counted. This means that you may still be eligible to receive benefits even if you own a home or, sometimes, a car. Whether an asset counts against the limit depends on the program and the state.

16 Certain resources are NOT counted, such as a home and lot, the resources of people who receive Supplemental Security Income (SSI), the resources of people who receive Temporary Assistance for Needy Families (TANF, formerly AFDC), and most retirement (pension) plans. The procedures for handling vehicles are determined at the state level. See United States Department of Agriculture Food and Nutrition Service, [http://www.fns.usda.gov/snap/eligibility](http://www.fns.usda.gov/snap/eligibility).

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Do you have this?</th>
<th>Asset limits</th>
<th>Contact and other information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TANF - Temporary Assistance for Needy Families</strong></td>
<td></td>
<td>$1,000 to $3,000 in most states. Nevada’s limit is $6,000. Colorado, Illinois, Ohio, Louisiana, Alabama, and Virginia have eliminated asset tests for TANF eligibility.</td>
<td>To find out more about your state or tribal TANF program, visit: <a href="http://www.acf.hhs.gov/programs/ofa/help">http://www.acf.hhs.gov/programs/ofa/help</a></td>
</tr>
<tr>
<td><strong>SSI - Supplemental Security Income</strong></td>
<td></td>
<td>$2,000 if single $3,000 if married</td>
<td>To find out more about SSI or to apply for benefits, visit: <a href="http://www.socialsecurity.gov/agency/contact/">http://www.socialsecurity.gov/agency/contact/</a> to get the contact information for your local Social Security Administration Office</td>
</tr>
<tr>
<td><strong>SSDI - Social Security Disability Insurance</strong></td>
<td></td>
<td>No asset limits</td>
<td>To find out more about SSI or to apply for benefits, visit: <a href="http://www.socialsecurity.gov/agency/contact/">http://www.socialsecurity.gov/agency/contact/</a> to get the contact information for your local Social Security Administration Office</td>
</tr>
<tr>
<td><strong>Public Housing</strong></td>
<td></td>
<td>Generally, only the income from assets is counted.</td>
<td>To find out more about public housing options and eligibility, contact your local housing office: <a href="http://portal.hud.gov/hudportal/HUD?src=/states">http://portal.hud.gov/hudportal/HUD?src=/states</a></td>
</tr>
<tr>
<td><strong>Rental Assistance</strong></td>
<td></td>
<td></td>
<td>In addition to income requirements, these programs may have asset limits that are considered for eligibility.</td>
</tr>
</tbody>
</table>

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18 Nevada increased its limit to $6,000 in 2014. [https://dwss.nv.gov/TANFFacts.html#DWSSresources](https://dwss.nv.gov/TANFFacts.html#DWSSresources)
<table>
<thead>
<tr>
<th>Benefit$^{13,14}$</th>
<th>Do you have this?</th>
<th>Asset limits</th>
<th>Contact and other information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income Energy Assistance Program (LIHEAP)</td>
<td></td>
<td>Some states and tribal governments use categorical eligibility for LIHEAP. This means if someone in the household receives TANF, SSI, or SNAP, they are eligible for LIHEAP benefits. While most states do not have asset limits, where they exist they range from $2,000 to $5,000.</td>
<td>To find out about your state or tribal LIHEAP, visit: <a href="http://www.liheap.ncat.org/snapshots.htm">http://www.liheap.ncat.org/snapshots.htm</a></td>
</tr>
<tr>
<td>Other Energy Assistance Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family Medicaid$^{19}$</td>
<td></td>
<td>No asset limit test due to Affordable Care Act Regulations that took effect in 2014.</td>
<td>To find out more about your state’s Medicaid program, visit: <a href="http://www.medicaid.gov/medicaid-chip-program-information/by-state/by-state.html">http://www.medicaid.gov/medicaid-chip-program-information/by-state/by-state.html</a></td>
</tr>
<tr>
<td>State Child Health Insurance Program (SCHIP or CHIP)</td>
<td></td>
<td>No asset limit test in most states; contact state administrator for details.</td>
<td>To find out more about your state’s CHIP program, visit: <a href="http://www.medicaid.gov/medicaid-chip-program-information/by-state/by-state.html">http://www.medicaid.gov/medicaid-chip-program-information/by-state/by-state.html</a></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

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This Tool may ask you to provide sensitive personal and financial information. The CFPB does not collect any information from you or the organization using this Tool. The CFPB is not responsible and has no control over how others may use the information that you provide to them about your personal or financial situation. The CFPB recommends that you do not include names or account numbers and that users follow their organization’s policies regarding retention, storage, and disposal of documents that contain personal information.
Tool 3:

Finding a safe place for savings

Setting money aside can be hard. It often means you have to cut back on spending somewhere else. For example, you might have given up premium cable or satellite dish service for basic. Or you have found a way to earn more income. You have taken on another part-time job, or you received a tax refund.

Once you have set money aside, you need to find a safe place to store that money. Even though it has some drawbacks, a secret place in their home may feel like a safe place for some people. For other people, it may be an account in a bank or credit union.

If you do not know where to put your money or want to make sure the place you have chosen is safe, use the following tool. Think about the benefits and risks of each option. There are some benefits and risks of each option listed already to get you started.

<table>
<thead>
<tr>
<th>Safe place to keep your money</th>
<th>Benefits</th>
<th>Risks</th>
<th>Other important information</th>
</tr>
</thead>
<tbody>
<tr>
<td>A secret place in your home</td>
<td>No costs to maintain it, Easy to access, Convenient</td>
<td>Can be lost, stolen or destroyed in a fire or natural disaster, Might put you at risk of a home invasion crime</td>
<td></td>
</tr>
<tr>
<td>With a family member or friend</td>
<td>No costs to maintain it</td>
<td>Can be lost, stolen or destroyed in a fire or natural disaster, Might put your friend or family member at risk of a home invasion crime</td>
<td></td>
</tr>
<tr>
<td>Safe place to keep your money</td>
<td>Benefits</td>
<td>Risks</td>
<td>Other important information</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>----------</td>
<td>-------</td>
<td>-----------------------------</td>
</tr>
</tbody>
</table>
| On a prepaid debit card (stored value card) | Easy to access  
Convenient  
No bank or credit union account needed | May have fees for activation, loading funds, using the card, etc.  
May not be insured for you or have the same protections from loss or theft as a savings account if the card or PIN are lost or stolen. | Check the card agreement to ensure that you understand the fees and whether you have protection from loss or theft. |
| In a federally insured savings or checking account | If the institution is federally insured, up to $250,000 per depositor is protected.  
Unlike cash, the money cannot be lost, stolen, or destroyed in a fire or other disaster.  
You can generally get it back if someone steals it by using your ATM or debit card. | May be charged fees if you do not follow the rules for the account, such as having to keep a minimum balance to avoid a monthly fee. | You may not be able to open an account for a period of time if you have had an account closed because of unpaid account fees and debts in the last five years.  
Be sure you understand any monthly fees and other fees. |
| U.S. Savings Bonds | The money cannot be lost or destroyed in a fire or other disaster. If you have a paper bond, the funds can be recovered  
The rate is guaranteed for the length of the bond. | You lose some of the interest if you cash the bond before it matures. | |
| Other | | | |

Based on this information, the best place for me to keep my savings is: __________.
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Resources

For additional resources, visit the Consumer Financial Protection Bureau website:

http://www.consumerfinance.gov/AskCFPB

If you have a consumer complaint, visit:

http://www.consumerfinance.gov/complaint

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