

Use Automatic Savings Programs to Reach Your Financial Goals

An automatic savings plan is one of the simplest and most effective tools you can use to achieve almost any saving goal. Here are two ways to save automatically:

- your employer deducts a certain amount from each paycheck and deposits it into a specific account
- your financial institution moves a certain amount from your checking account into a savings account on a regular basis

Either way, these automatic transfers add discipline to your saving. Once these plans are set up, most people find they do not even notice the smaller amount they have to spend each month.

Putting automatic savings plans to work

1. **Fund your 2009 IRA contribution.** The contribution limit for 2009 is \$5,000 for both regular and Roth IRAs (\$6,000 if you are age 50 or more). Decide which type of IRA you want to fund, open the IRA account, and have \$416.66 (\$500 if you qualify for the extra \$1000 contribution) automatically transferred each month into the IRA account.
2. **Fund an even larger amount for your retirement.** If you are already taking advantage of your employer's retirement plan and an IRA, you can transfer even more into a savings account each month. When the balance reaches a certain level, say \$5000, transfer the funds into a certificate of deposit to earn higher rates.
3. **Start an education fund.** Determine the amount you want to set aside for each child, establish a custodial account for each child, and have that amount transferred each month.
4. **Combine an automatic savings plan with a Section 529 college savings plan.** This is similar to transferring the funds into a custodial account, but would also have the benefit of the earnings not being subject to current taxes. Earnings within a Section 529 plan are tax deferred and can be withdrawn tax free for qualified educational expenses. Be sure to talk to your tax advisor about the advantages of a college savings plan.
5. **Combine an automatic savings plan with your investment strategy.** Dollar cost averaging is a method of buying a constant dollar amount of an investment on a regular basis that works very well with mutual funds. Dollar cost averaging may reduce the risk of "buying at the top of the market" and over time may reduce the

average price you pay for the mutual funds purchased. Most mutual funds and brokerage firms can establish these plans very easily.

6. **Use an automatic savings plan for estate planning.** Older and wealthier individuals often want to transfer funds to their children or grandchildren to reduce their ultimate taxable estate and to provide their loved ones with immediate funds. Please check our link with the most current amount that can be transferred. If this is something you want to consider, be sure to talk to your tax advisor.

Don't delay! Take advantage of automation to help you save regularly. First Financial Wealth Resource can assist in making the process easier and more effective.

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