

American Saver

You Can Build Wealth

Campaign Offers Car Buying Education

This past spring America Saves partnered with Consumer Action, a non-profit advocacy and education group, to distribute a new set of educational materials around car buying.

Nearly 300 community-based organizations in the Consumer Action network ordered over 60,000 bilingual brochures that provide advice on whether and what to buy, how to get the best loan possible, and how to shop and negotiate like a pro. The Consumer Action network includes consumer credit counseling services, Legal Aid offices, legislators, libraries, senior centers, and military bases.

In addition, local Saves campaigns are educating thousands of people this summer through educational workshops and one-on-one counseling. And, because buying a car is an especially popular goal for young Savers, America Saves created two educational videos for youth and provided the videos along with a "Car Buying 101" guide to Youth Savers and teachers involved with the Family, Community and Career Leaders of America (FCCCLA).

The renewed push around car buying education comes as consumers face record levels of auto loan delinquencies and vehicle repossessions. According to the American Bankers Association, the delinquency rate on auto loans rose 22 percent in 2007 to 3.12 percent, the highest rate since the ABA began tracking car-dealer loans in 1990.

"Helping our Savers get the best deal on their car purchases has always been a key strategy for America Saves, but in today's world of high gas prices and skyrocketing transportation costs, it's more important than ever," said Nancy Register, Director of America Saves. "When consumers overspend on transportation, they have less money available for saving and wealth-building, so helping consumers save money on cars is an important component of America Saves."

FIRST STATE SAVER

A Textbook Approach to Saving

When Clayton Pope entered the full-time workforce as an enforcement officer for the Delaware State Park system three years ago, he had some decisions to make about investments in the state retirement plan. For someone who had never invested before, it was a "pretty overwhelming task," he said. "So I approached it just like I would a college paper" and headed to the library to do some research.

After reading several books and consulting with friends and family members, he put together what many financial experts would consider a textbook approach. He has a set amount taken from each paycheck and put in the retirement account. That money is invested in low-cost index funds, carefully allocated between U.S. and international stocks and bonds. He also has a Roth IRA with Vanguard, which he chose because of its low fees.

Clayton had all this in place before he ever heard of First State Saves (DE). But when he got an insert in his pay envelope describing the campaign, he decided to sign up in the hopes that he could learn something new, and chose saving six months worth of salary in an emergency fund as his goal.

The money he saves today was money that until recently went toward paying off his college loans and the \$2,000-to-\$3,000 in credit card debt he amassed while in college. He finds the money to save through a disciplined approach to spending.

"Unlike most Americans, I don't think cable TV is a necessity," he said. For entertainment, he gets DVDs for free from the library, goes fishing, and

occasionally takes advantage of the free AAA baseball tickets he gets as a volunteer with the Big Brother Big Sister program.

He also drives a 1997 Saturn that has 189,000 miles on it but runs great and gets about 40 mpg on the highway. "Am I the coolest guy around? No. But I'm not paying \$200 or \$300 a month



"If I lived the way the typical American lives, I'd be in debt up to my eyeballs."

Clayton Pope, First State Saver

for a losing proposition," he said, referring to the fact that new cars lose about 20 percent of their value as soon as you drive them off the lot.

"If I lived the way the typical American lives, I would be in debt up to my eyeballs," he said. Americans seem to think that "we've got to have the latest and greatest. We've got to have the biggest and the best. That's not an intelligent way to live your life. Unless you generate all your happiness in life from material things, you're not going to be happy."

Clayton credits his disciplined approach to his father, who he said has provided a model of fiscal responsibility. And, although he is frugal in his daily life, he also believes "you need to go out and enjoy life." In his case, that means saving for a trip to New Zealand or Australia, as soon as he gets enough miles through his credit card (which he pays off in full each month) to pay for the airfare.

Savings Strategies

Don't Speed When Buying a Car

Have you bought a car on the spur of the moment? Or, do you think it's time to buy a new car as soon as you finish paying off your old one? If so, America Saves has a message for you: slow down.

Impulse shopping and replacing serviceable cars too quickly are common car buying practices that can cost big money. Just being in too big of a hurry to buy puts you at a disadvantage.

Next to buying a house, buying a car is the biggest purchase most consumers ever make. That's why it's important to make sure you stretch your car-buying dollars as far as you can.

The following car-buying timeline and tips can help you do just that.

8 to 12 months prior to purchase:

- If you haven't already done so, start saving for a down payment. The more you are able to save, the less you'll need to borrow and repay with interest. Even at low interest rates, that can add up to big savings over the life of the loan.
- Check your credit report. Report any incorrect information to the credit reporting agency. If you have any past due accounts, bring them up to date, and fix any other outstanding problems with your credit record.

3 months prior to purchase:

- Decide what type of car to buy. Think about how you'll use the car, and base your decision on those needs. Will you be hauling heavy loads? Making a lengthy commute? Transporting your children and the family pet? Don't buy "more car" than you need.
- Research prices. The resources list below includes several sources of price information.
- Analyze your budget to determine how much you can afford to spend. As you're considering your budget, remember to research and include the cost of gas, insurance, maintenance, taxes, parking and repairs. Use that information to help narrow your choices among different makes and models.

1 month prior to purchase:

- Get pre-approved for the best loan possible. Shop around by calling local banks and credit unions to determine which institution can offer you the best interest rate.

1 week prior to purchase:

- Call or visit various dealers to negotiate prices and get different offers. Make sure to ask about any charge or fee that you don't understand.
- Weigh your options before making a final decision.

Comparing Gas Prices

As rising gas prices strain household budgets, more people are considering vehicles' gas mileage before making a purchase. This makes good sense, and can add up to big savings over the lifetime of the car.

For example, assuming gasoline costs \$4.08 per gallon (the average price during the week of June 16), a person who drives 15,000 miles per year will spend just \$1,457.14 a year on gasoline if they own a car, such as the 2006 Honda Civic Hybrid, that gets an average of 42 mpg. If they own a car, such as the 2007 Nissan Altima, that averages 26 mpg, their annual gasoline costs will be \$2,353.85.

In contrast, someone who drives a vehicle, such as a Chrysler Voyager or Town and Country Minivan, that averages 19 mpg will pay \$3,221.05 per year for gas, and someone who drives a vehicle, such as a 2006 Ford Explorer with 4-wheel drive, that averages 15 mpg will pay \$4,080.00 a year for gas.

That extra \$2,000 a year for gas is money that isn't available for saving.

Useful Car-Buying Resources

GET TIPS ON SAVING FOR A DOWN-PAYMENT:
www.AmericaSaves.org

CHECK YOUR CREDIT REPORT:
www.annualcreditreport.com

CHECK PRICES:
www.kbb.com
www.nada.com
www.edmunds.com

GET SAFETY INFORMATION, INCLUDING SAFETY "BEST BETS":
www.autosafety.org

Financial Market facts

July 2008

Money market account	0.71%
1-year CD	2.29%
5-year CD	3.39%

U.S. Savings Bonds

EE Bond	1.40%
I Bond	4.48%

Mortgage Rates

30-year fixed rate mortgage	6.53%
15-year fixed rate mortgage	6.09%
5-year adjustable mortgage	6.09%

Sources: *The New York Times*, "Data Bank," pg. BU 8, July 6, 2008 and www.savingsbond.gov, July 6, 2008.

Family Wealth facts

Gas Prices

Of Personal Concern

Great	73%
Much	12%
Some	8%
Little	3%
None	4%

Imposed a Hardship

Much	60%
Some	32%
Little	22%
None	15%

Sources: Opinion Research Corporation survey of 1,001 representative adult Americans in April 2008.

A Quarter **Saved** is a Quarter **Earned**

For this issue of the American Saver newsletter, we asked Saves campaign coordinators for advice on how to save money on transportation. The following are some of their best tips.

Driving your car for the length of its operating life, rather than trading it in for a newer model, saves lots of money in the long run. Just make sure that as your car gets older you have money in your emergency fund to deal with the additional repairs and maintenance. Postponing for five years replacement of an old car that's paid for with a new one that has \$300-a-month payments will gross \$18,000 in savings. Even factoring in a bigger repair bill for your older car, you'll still net a big long-term savings!

DENA WISE
TENNESSEE SAVES

Keep your engine properly tuned. Fixing a car that is noticeably out of tune will improve its gas mileage by an average of four percent. Also, check and replace air filters regularly. Not only will replacing a dirty air filter save gas, it will protect your engine.

LISA LESLIE
TAMPA BAY SAVES

Carpool. The number of people carpooling has increased with the rise in gas prices, and many people who have long commutes report that they enjoy the company and the savings. In addition to carpooling to work, consider carpooling to school, when running errands, and when traveling for fun.

LINDA STROMAN
DC SAVES

Car sharing, a system where members can pay by the hour or day to use cars parked in their neighborhood, is becoming more and more popular in urban areas like Philadelphia. According to one car sharing service, Flex Car, users spend on average about \$80 a month on the service compared to the national monthly average of \$664 to maintain a personal car. And not only does car sharing help consumers avoid monthly car payments, insurance and gas, it's environmentally friendly too.

ALETHIA CALBECK
PHILADELPHIA SAVES

Despite the rainy reputation of the Pacific Northwest, Savers are "saving money by the seat of their pants" by putting miles on their bikes instead of driving to work and on errands. The exercise is an added energy bonus in an energy crisis.

BARB GORZINSKI
PIERCE COUNTY SAVES (WA)

Wash your own car. This can save you as much as \$30 per month.

AMY LODER
FIRST STATE SAVES (DE)

To save money on gas, don't carry more than you need. If you tend to use your trunk as storage space or habitually carry heavy objects in your back seat, you're adding nearly \$200 to the cost of your fuel annually. Carry a lighter load and it will allow for better gas mileage.

LESLEY SCRUGGS
UTAH SAVES

Send your savings tips to:

American Saver, c/o Consumer Federation of America, 1620 Eye St., NW, Washington, D.C. 20006.

If we select your tip for publication, we will send you a check for \$25 (the initial purchase price of a \$50 EE Savings Bond) and an application for a \$50 EE Savings Bond. We recommend purchasing a savings bond at a local bank or credit union. Please include your name, address, and phone number so we can contact you.

Obedying the speed limit will help you save in four ways. You'll avoid speeding tickets, prevent higher auto insurance premiums, reduce the risk of costly accidents, and save gas. Driving at 65 mph instead of 55 mph lowers fuel efficiency by 12.5 percent. At 75 mph, you lose 25 percent.

CORRINE MICHNIAK
NORTHWOODS SAVES (WI)

American Saver

American Saver is the quarterly newsletter of the America Saves campaign, a national program to encourage and assist Americans to save and build wealth more effectively.

The campaign is coordinated by the non-profit Consumer Federation of America (CFA), supported by national foundations, and advised by dozens of non-profit, government, and business groups. A generous grant from Wachovia Bank supports the publication and distribution of the American Saver.

Questions about how to start a local savings campaign in your area should be directed to: Nancy Register, America Saves, c/o CFA, 1620 Eye St., Washington, D.C. 20006; 202-387-6121 (phone); 202-265-7989 (fax); nregister@consumerfed.org.

American Saver Editor: Barbara Roper

News

FROM LOCAL CAMPAIGNS

Note: This is not an exhaustive list of the activities of all America Saves sites, but rather a sampling of activities from several of the local campaigns. For a more complete list of America Saves campaigns, be certain to visit our website at www.americasaves.org.

Charlotte Saves reached an important milestone this spring with the enrollment of its 5,000th Saver. With the help of a new partnership with the Charlotte chapter of the North Carolina Association of Certified Public Accountants, the campaign is planning to expand services throughout the Mecklenburg area.

DC Saves and the Capital Area Asset Builders held their first Financial Literacy Fair in April. With the help of 27 partners, financial planners, credit counselors, and the DC Earned Income Tax Credit campaign, the fair served hundreds of area residents. The fair included eight seminars on such topics as automobile buying, identity theft, insurance, and credit. Also, there were 60 credit counseling and certified financial planning sessions, and over 30 tax returns were processed.

First State Saves educated the staff at the Governor Bacon Health Center in Delaware City, Delaware on basic ways to save. The event included goodie bags, a drawing for door prizes, and lunch. The campaign is planning to expand its savings work to offer programs statewide.

The Louisiana state legislature passed a bill this summer requiring the state to promote saving and good financial management through both education and social marketing. **Louisiana Saves**, which supported the legislation, helped host an event at the Lt. Governor's mansion to celebrate the bill's passage.

Okaloosa Saves is reaching out to young savers this summer through its "Teach Children to Save" program. Youths who make a savings account deposit and set a savings goal qualify for a drawing for six \$100 savings bonds. Additionally, the Florida campaign is running "Money Adventures," a three day youth camp conducted jointly with 4-H that includes field trips to local banks and car dealerships for "real life" simulations designed to make the program fun and educational.

Philadelphia Saves celebrated its 5th anniversary in April. Since 2003, 4,600 Savers have enrolled as Philadelphia Savers. The campaign hopes to reach the 5,000 mark by year's end.

Staff from **Pierce County Saves** gave a presentation at the Washington Statewide Asset

Building Conference in June, focusing on personal savings as a key element of the asset-building movement. Pierce County Saves is working with the county association of credit unions on a plan to provide larger incentives to new savers during tax season.

San Diego Saves is partnering with Community Housing Works to train staff and residents to lead motivational savings workshops for clients and residents. The campaign is also working with United Way staff to run financial literacy education programs.

Utah Saves hosted Dave Ramsey and his "The Total Money Makeover Live" radio program in May at a local event center. Hundreds attended the event, and over 150 people signed up to become Savers.

Wisconsin Saves recently completed several presentations on the importance of budgeting and saving, including a presentation at The Gathering, an annual women's event that attracts over a thousand attendees. The campaign is continuing to build community partnerships and expand services.

www.AmericaSaves.org

1620 Eye St., NW
Washington D.C. 20006

AmericaSaves
You Can Build Wealth



PRSRST STD
U.S. POSTAGE
PAID
WASHINGTON, D.C.
PERMIT NO. 8772