

SAVINGS

1. HOW TO MAKE SAVINGS YOUR FRIEND

1) What is saving?

Saving is the practice of putting aside part of your current earnings for future use. It is not done once but over a period of time. You will have to make some sacrifices of current enjoyments to save for a better future.



2) “One by one makes a bundle”

You don’t need much money to start saving. Whether you are a student, a farmer, a teacher, nurse, banker, market vendor, taxi driver or a business person, you can always put a little money aside. When you save regularly, your money will “grow” as shown in the table below:

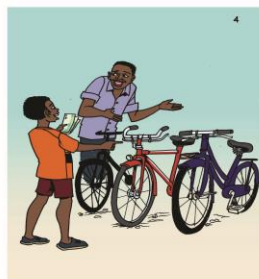
	Month 1	Month 2	Month 3	Month 24	Total Savings
John	10,000	10,000	10,000	10,000	10,000	240,000
Jolly	50,000	50,000	50,000	50,000	50,000	1,200,000
James	100,000	100,000	100,000	100,000	100,000	2,400,000

3) Spend less to save more

You can save by spending less. Cutting down on consumption, such as alcohol and on buying new clothes for every function, enables you to save more money to provide for you and your family's future.

4) Encourage your children to save

Parents should teach children to start saving for a purpose while they are still young. This helps children to understand the value of money and to develop a savings culture at an early age. You can help a child save money in a small tin or box (piggy bank).



5) Save to avoid unnecessary debts

Savings are the best way to pay for day-to-day costs like school fees, clothing and medical charges. It is better to save for such expenses than to borrow. For example, if you start saving for your children's education early enough, you may not need to take an education loan or borrow money from a friend to pay fees. While people sometimes get into "debt trouble" by borrowing unwisely, they never get into "savings trouble".

6) Always have an "Emergency Fund"

Savings are very helpful in addressing unexpected or unforeseen problems such as illness, accidents, unemployment, robbery, drought, funerals, too much rain that destroys crops etc. In such situations, your savings can help you as you recover. Make sure that you keep money for emergencies. If you ever have to use part of your emergency fund, top it up again as soon as you can.

7) Save for special events

Have a savings account or a small tin or box to save for luxuries such as birthdays, a wedding ceremony and holidays. You can plan ahead for this and hence save over a long period of time. For example, if you plan to have a wedding at the end of next year, you can plan to save Shs.100, 000/= every month for 20 months. By the wedding day, you would have saved shs.2, 000,000/=. It is your right to enjoy your money if you plan and save towards such luxuries.

8) Choose how and where you want to save

Many times we find excuses to avoid saving, claiming that we don't have enough money or we don't know how and where to save. Here are some options you can choose from:

- *Saving in a savings account with your bank or Microfinance Deposit-taking Institution (MDI). You can save via regular deposits or a standing order from your current account to your savings account.*

- *Saving through a group e.g. SACCO, Village Savings and Loans Association (VSLA) or friends that come together and save regularly.*
- *Saving some money, such as coins, in a small tin or box (piggy bank) at home at regular intervals and then banking it when it has filled. This works well for children because it teaches them to save and value money at an early age.*

9) *Keep your savings safe*

No matter where you save, make sure that your money is safe.

- *In licensed financial institutions, such as commercial banks and Microfinance Deposit-taking Institutions (MDIs), your savings are insured up to Shs.3,000,000/= - if the institution closes, you will be paid back up to Shs.3,000,000/=s. If you had saved more than Shs.3, 000,000/=, you may get back some or all of the rest of your money when the institution has paid off its debts. Licensed institutions will not easily close down as they are closely monitored by the Bank of Uganda to make sure they are reliable.*
- *It's only in a few SACCOs that savings are insured. When you want to keep your savings in a SACCO, it is wise to ask other members what their experience has been before you start saving with it. You should also make sure that you know and trust the SACCO officers who take care of your money.*
- *When you save with a Village Savings and Loans Association or a group of friends, make sure you can trust the other group members and ask for regular accountability to reduce the risk that someone walks away with your money. Also check that the group's money is kept in a safe place where it cannot easily be stolen.*
- *Don't save large amounts of money at home. It might easily get stolen or destroyed by fire, insects or other animals.*



10) Make the most out of your savings: with big interest and small fees

When you save with a savings account, you should be paid interest. In order to make sure you get the most from your money, find out:

- How much interest you will get. Different institutions offer different interest rates. Some of them pay interest monthly and some yearly. Compare it all.*
- What fees and charges (if any) you will need to pay. There might be an account opening fee, an account management fee, a deposit or withdrawal charge, etc.*
- How much notice (if any) you need to give before taking out your savings and what penalty (if any) you will have to pay if you take out your money before then.*

11) Four steps to achieve your savings goals

Follow these four steps to achieve your savings goals:

- Decide what you want to save for and find out how much it will cost – whether it is buying a house, land, starting/improving a business, studying or saving for your child's school fees, etc. Ensure that what you are saving for is realistic and not over-ambitious.*
- Start saving now – the sooner you start, the sooner you'll get there.*
- Put your savings in a safe and secure place where you earn good interest.*
- Keep saving regularly and over a long period of time. It's only then that your money can accumulate.*

12) Savings give you financial security and control

When you save, you have some form of financial security and control. You will feel more responsible and independent using your own money rather than borrowed money or money given to you by others.

13) Choose to save in an institution that is easy to reach and work with. It should at least

- Be safe and secure*
- Be easy for you to use and convenient*

- *Be easily accessible*
- *Have an easy process for opening an account*
- *Have good interest earned on savings*
- *Have little or no charges on your account (make sure that your monthly interest is more than the monthly charges)*
- *Value and treat you well as a client.*

14) Make use of a standing order

Sometimes you may not be disciplined enough to save regularly. You can go to your bank and set up a standing order to ensure that you do save regularly. A standing order is an instruction to a bank to pay a set amount of money at regular intervals from one account to another. However, take note of the charges. If you are an employee, you can also ask your employer to transfer part of your salary directly to your savings account.

15) Get more for your money - on a fixed deposit account

A fixed deposit account involves locking away a particular amount of money for a certain time period at a fixed rate of interest. You will be charged a penalty if you withdraw this money before the end of the fixed period. The rate of interest is normally higher than on other accounts, so this can be a good way of keeping your savings. But only put money into a fixed deposit account if you are confident that you will be able to lock it away for the whole of the fixed period.

2. RULES OF THUMB



- **Save as much as you can as soon as you can.** The more you save, the better off you'll be.
- **Save as you earn,** One by one makes a bundle.
- **Try to save 10% of your income** even if you don't have a specific purchase or investment for which you are saving.
- **Pay yourself first;** put 10% of your earnings aside for savings before you do anything else. If you can't afford 10% right away, start with less, but save something.
- **Calculate** how your money can grow over time if you save regularly in an account that earns interest.
- **Don't carry a lot of cash**—avoid temptation to spend it!
- **Spend less to save more.** Cutting down on consumption, such as alcohol and on buying new clothes for every function, enables you to save more money to provide for you and your family's future
- **Spend carefully.** If you purchase big items, consider how much you could resell them for. Look for opportunities to save money by bulk buying of non-perishables.
- **Pay off your debts.** Some people recommend paying down your debt before you start to save; others recommend saving even while paying down debt because it is important to begin building assets as soon as possible. This choice will depend on individual priorities, situation, and means. Total household debt should not exceed 36% of household income. While people sometimes get into "debt trouble" by borrowing unwisely, they never get into "savings trouble".
- Savings are the best way to pay for day-to-day costs like school fees, clothing and medical charges. **It is better to save for such expenses than to borrow.** For example, if you start saving for your children's education early enough, you may not need to take an education loan or borrow money from a friend to pay fees.
- **Keep three to six months of living expenses in an emergency fund at all times.** It can be used in case of job loss, unexpected illness, and to meet other emergency needs. An emergency fund will reduce your anxiety.
- **Keep emergency funds in a separate account.** Open two savings accounts—one for emergencies that is easy to access and doesn't have any penalties for withdrawal, and one for savings for other goals that is harder to access (and therefore less tempting to withdraw the money). Keeping some savings "out of reach" is important.
- **Find savings products that match your savings goals.**

3. ARE YOU A SAVINGS PRO?

QUIZ – ARE THE FOLLOWING STATEMENTS RIGHT OR WRONG?

1. *My money is safer at home than in a bank.*

Wrong – at home your money can easily get stolen or destroyed by fire, insects or other animals. In licensed financial institutions, such as commercial banks and Microfinance Deposit-taking institutions (MDIs), for instance, your savings are insured up to 3,000,000/=.

2. *I should earn an interest rate when I save with a savings account.*

Right – However, you should compare the interest rates different institutions offer and also take into account the fees and charges you might have to pay.

3. *Fixed deposit accounts generally pay higher interest rates than normal savings accounts.*

Right – In exchange for locking away your money for a fixed period of time, banks can afford to pay you a higher interest rate on your savings.

4. *It is unnecessary to have an “Emergency Fund” because I can always get a loan.*

Wrong – Remember that it might take time to get a loan, you might not have enough securities to do so and you will have to pay an interest rate! Therefore it is best to have an “Emergency Fund” to address unforeseen or unexpected problems such as illness, accidents, funerals or droughts immediately.

4. BUILD YOUR OWN SAVINGS PLAN

STEP 1: EARNINGS

In the next (month, 6 months, year) I will be earning:

(Note: Include your salary after all deductions, average business income, spouse's income, other household members' incomes, rental income, remittances and any other sources of income.)

STEP 2: EXPENDITURES

In the same time period I will face the following expenditures:

(Note: Include necessities such as food, housing, clothes, transport as well as debt repayments and discretionary or optional expenditures.)

Are there any expenditures that I could cut back on in order to save more?

STEP 3: NET INCOME & SAVINGS TARGET

My net income would then be (earnings minus expenditures):

On this basis I can formulate a realistic savings target of :

STEP 4: WHERE & HOW WILL I SAVE?

(E.g. I can go to the bank to deposit my savings in my account weekly/monthly. I can ask my employer to directly deposit a part of my paycheck into my savings account.)

STEP 5: HOW WILL I TRACK MY SAVINGS?

(E.g. I can regularly check my bank statements.)

5. THE ABC OF SAVINGS

Interest	<i>A rate expressed as a percentage which is charged or paid for the use of money</i>
Financial Security	<i>Assured freedom from poverty or want</i>
Debt	<i>An obligation to pay something to someone</i>
SACCO (Savings and Credit Cooperative)	<i>A group of people, minimum 30, who come together to save and lend to each other. Such a group is usually member-owned, member-managed and member-governed</i>
VSLA	<i>A group of people who save together and take small loans from those savings activities. Such group has a cycle of one year after which the accumulated savings and loan profits are shared among the members</i>
Commercial Bank	<i>A financial institution that offers formal banking services to account holders in that bank</i>
MDI	<i>Microfinance institutions which are granted a license to carry out microfinance business and are supervised by Bank of Uganda</i>