

Investments 102:

Savings Plans for Education and Retirement

Terms to know before you begin:

Interest: the fee a borrower pays a lender for using borrowed money, usually an annual percentage of the borrowed sum.

Maturity Period: the time period an investment takes to reach its full potential.

Principal: money used to begin an investment.

Return: the increase in value of an investment during a certain time period.

Risk: the likelihood that an investment will not produce a desired result.



Why should I save?

1. Women tend to live longer than men.
2. Family concerns often interrupt women's careers, leading to lower lifetime earnings and less money set aside for retirement.
3. Women often make less money than men do.

Where do I begin if I have never saved major amounts of money before?

Plan and set goals. Ask yourself:

- What will I use my savings for?
 - Education for me or my children
 - Retirement
- How much do I need to save?
- When will I need my savings?

Three ways to save for education and retirement:

- The 529 Education Savings Plan
- 401 (k) Account for Retirement
- Individual Retirement Account (IRA)

** See next page for
explanations of each*





Saving for Education: The 529 Education Savings Plan

What? Mutual fund-like savings plan run by every state that allows parents to save non-taxable interest earning money for a child's college education. (A mutual fund is a regulated investment company with a pool of assets that regularly sells and redeems its shares.)

Goal? To save enough money ahead of time to pay for part or all of a college education.

How? Check out www.savingforcollege.com to find out about the details of each state's program and learn how to save.

Risk? Low. The state Treasurer's Office oversees the plan to ensure it makes money. In bad economic times, the plan may lose some money, but over a long period of time, its returns should remain relatively stable.

Duration? As long as you want or need. You can set a plan up at any point for any person--even yourself. You can begin a plan as soon as a baby is born.

Education Savings Plan Tips:

- * You are not limited to your own state's fund; you can invest in as many states' plans as you wish.
- * As the "donor," you alone control the money and decide when to withdraw it.



Saving for Retirement: 401(k) Account

What? A retirement savings account sponsored by your employer and run by a mutual fund company. The company invests your money in stocks and bonds.

Goal? To save enough money to not have to work after retirement.

How? Talk to your company's human resources department. You can add up to \$15,000 a year. Your employer may match a percentage of your savings.

Risk? Medium to high. 401(k)s invest in stocks and bonds, whose value depends on many factors, mostly the health of the economy. If the economy has problems, the money in your fund may decrease.

Duration? Begin a 401(k) when you start work at a company. You can take the account with you if you leave and withdraw money without penalty at age 59 ½.

401(k) Tips:

- * You will pay taxes on the money when you withdraw it.
- * Your employer may set a limit to the annual amount you can add.
- * You invest your money before paying taxes on it.



Individual Retirement Account (IRA)

What? Similar to a 401(k) but set up by individuals and run by a mutual fund company. You deposit part of your wages into the account. Your account manager invests the money for you in stocks and bonds.

Goal? To save enough money to not have to work after retirement.

How? Set one up at a bank, brokerage firm, or mutual fund company.

Risk? Medium to high. As with 401(k)s, IRA growth depends on the health of the economy. If the economy weakens, you may lose some of your money.

Duration? You can set one up at any age. You can begin withdrawing without penalty at age 59 ½.

IRA Tips:

- * You will pay your IRA manager a commission for running your IRA.
- * Research the company you invest with. Find out what others think of it and how it has performed in the past.
- * With most IRAs, you remove this money from your taxable income each year, but you do pay taxes on it when you withdraw it.

**Read Up!
Great books
for women investors:**

9 Steps to Financial Freedom: Practical and Spiritual Steps So You Can Stop Worrying by Suze Orman

Prince Charming Isn't Coming: How Women Get Smart About Money by Barbara Stanny

Roadmap To Riches on \$12.50 Per Week: First Steps to Financial Freedom by Donna Whitley

Smart Women Finish Rich: 9 Steps to Achieving Financial Security and Funding Your Dreams by David Bach



**Online resources
to help you save:**

American Savings Education Council (ASEC)
2121 K Street NW, Suite 600
Washington, DC 20037-1896
Phone: (202) 659-0670
Fax: (202) 775-6360
Online: <http://www.asec.org/>
Email: asecinfo@asec.org

National Endowment for Financial Education (NEFE)
5299 DTC Boulevard, Suite 1300
Greenwood Village, CO 80111
Phone: (303) 741-6333
Online: www.nefe.org
Email: ban@nefe.org

Women's Institute for Financial Education (WIFE)
PO Box 910014
San Diego, CA 92191
Phone: (760) 736-1660
Online: www.WIFE.org
Email: info@wife.org

Saving for College
Online: www.savingforcollege.com/529_plans

