

# Kids Korner

This month we are talking to your parents about having dreams and saving for them. Let's color this dream. What are your dreams?



"Nothing happens unless first you dream." — Carl Sandburg

## References:

1. Stefan Theil, "Money to Burn — Why Americans Can't Stop Spending", *Newsweek*, Dec. 6, 2010: 28.
2. "We'll pay more but we'll go anyway," *U. S. News and World Report*, 16 May.

"Dreams are renewable. No matter what age or condition, there are still untapped possibilities within us waiting to be born." — Dale Turner

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# The Stewpot

A potpourri of practical ideas to help you become a better steward

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## FRUGALITY FATIGUE

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The December 6 cover story of *Newsweek* was "Money to Burn — Why Americans Can't Stop Spending". The core of the article can be summed up in this one sentence: "Even as Americans are still struggling to meet mortgage payments, pay off credit cards, and replenish savings, they're also **starting to spend again — whether they have the money or not,**"<sup>1</sup> (emphasis added). It seems that old habits just will not die. The same shell-shocked customers, who pledged to be as frugal as

their Great Depression grandparents are now on a spending spree. You would think the brutal lessons of the last 30 months would have consumers dedicated to save, save, save.

Unfortunately, we are not witnessing the rebirth of a frugal America. Even though 89% of American families are indicating to Gallup poll they are carefully watching their expenditures, their spending habits are sending a very different message. Mr. and Mrs. America state publicly "We've learned our lesson and we will be thrifty families and individuals in the future." However impatient they are with the slowness of this current economic recovery, many are back in the malls and shopping centers with the attitude, "I am tired of this slow economy. I'm also tired of the 'staycation' plans. This year I'm taking a real vacation because when you stop spending, you plain stop living!"<sup>2</sup>

One way to prevent the "spending is living" stance is to turn your saving habits into a positive, long-term dream list for your future finances. Here are a few examples about how great savers dream:

### 1. Catch your Dreams

Stewardship is a total lifestyle. It involves our health, **time**, **talents**, environment, relationships, **spirituality** and **finances**.

Saving money is really difficult—unless you have a plan in the form of a dream list. The best way to make your dreams come true is to write a list of your current dreams as well as your lifelong dreams. These dreams may include practical dreams like saving the deposit to buy your first home, or to be totally debt-free from credit, charge cards and school loans by a certain date. Your list of dreams might be taking a trip to Europe or a relaxing cruise around the Pacific Islands. Other dreams could be humanitarian like joining a mission trip, saving for your children’s Christian education or spending several weeks at a spiritual retreat.

## 2. Prioritize Your Dreams

Once you have made your dream list, prioritize your financial dreams. Choose your first dream as well as the specific amount of money you must save, within a realistic time-frame, to gather this dream’s financial requirements. Next, boost your saving motivations by posting a picture of your new dream on the refrigerator or bathroom mirror or in your checkbook, like picture of your dream home, or your dream mission trip to Asia, or your dream cruise.

**Remember:** The key is to think long-term, not just until your next paycheck. Learn to wait for your reward.

## 3. Begin Dreaming Today

Financial planners are always telling clients to begin saving early. The earlier you begin a saving plan the more likely you are to achieve your dream goals.

The following example turns this ideal into concrete rewards: If you began investing \$2,000 per year at age 25 with an average rate

of 4% return, forty years later you would have invested over \$300,000 with the bank. But if you delay this annual investment at the same interest rate for just 10 years, you will collect roughly \$135,000 for your retirement.

**Remember:** The best time to plant a tree was twenty years ago. The next best time to plant a tree is today. This same principle applies to saving for your financial dreams.

## 4. How to Make Your Dreams Come True

Making your dreams come true can be enjoyable if you and your family become a financial “think-tank and create” durable and useful techniques of saving.

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a. This year the average American family will pay approximately \$1,000 to \$1,500 in interest to their local bank or financial institution for the privilege of using their credit. Most investors would love to receive 16-18% interest on stocks or mutual funds on a regular basis, yet that is what 75% of credit card holders literally give away each year. Pay your credit cards off within the grace period and invest the interest saved for your dreams!

b. What you spend daily on fast food lunches and snacks could be from \$5 to \$15. Instead of a quick restaurant lunch,



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why not brownbag just two days a week. That adds up to saving over \$2,000 a year. In cold, hard cash and that’s \$80,000 that

might be saved over forty working years. Better yet, the previously mentioned \$2,000 invested annually at 6% interest over 40 years would amount to \$197,653.07—a great investment toward retirement!

c. A \$100,000 30 year mortgage at 5% interest will cost \$93,000 in interest over the life of the loan. If one was to add \$100 to each payment the loan would pay off in just over 21 years. The savings would be \$30,000 in avoided interest

charges. Additionally, you would then have the \$636 each month to Invest. Invest this amount at 4% and at the end of 9 years you would have saved \$84,000. Add the \$84,000 together with the \$30,000 saving in interest charges, and the homeowner is ahead \$114,000!

## 5. Make a Dream Deposit

The easiest way to save money is to have a set amount deducted each pay period. This amount could be automatically transferred to your bank or credit union savings account. The payday deduction is one of the reasons Europeans save at least seven times more and the Japanese save ten times more than Americans. Most of us would be better off if we were “forced” to save this way.

**Remember:** What you don’t see you don’t miss. Better still, what you don’t see you don’t spend!

As a financial educator, I believe the words of Victor Hugo when he said, “There is nothing like a dream to create the future.” Now go and begin dreaming and saving for your future!