3-1: Find Money to Save

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<u>Cast List</u>

- Terri
- Darryl
- Nelson Yang, personal finance expert; (34-45/Asian)
- Other:
  - Marcy
  - Kevin
  - Latrice
  - Jerome (young; 18-ish)

<u>Synopsis</u>

- Darryl and Terri have brought Nelson to a public place (mall) in order to have him answer questions from the public about how to save money

<u>Location</u>

- Hanover Mall

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A. Pay Yourself First
  a. Too many of us have nothing left over
  b. There are ways to get ahead, even if you think you can't save
B. Finding the Money
  a. Keep a diary of every expense and income
  b. You will be surprised at how much you are spending and how much is within your control
C. A Personal Spending Plan
  a. Income
    i. Net pay vs. gross pay
    ii. Multiple jobs, tips
    iii. Alimony, child support, unemployment, SSI, disability
    iv. Keep in mind what may stop
  b. Expenses
    i. Fixed
    ii. Variable
  c. You can increase what is left over by decreasing spending or increasing income – that is your personal spending plan
D. Decreasing Spending
  a. Variable expenses – largely under your control
    i. Carry small amounts of cash
    ii. Rules for credit card use
    iii. Take your lunch and snack
    iv. Use grocery coupons, lists, and planners
    v. Carpool
  b. Fixed expenses – some control possible
    i. Evaluate before signing contracts
    ii. Pay on time to avoid fees or eviction
    iii. Negotiate with utility, ask for programs
E. Increasing Income
  a. Tax credits
    i. EITC
    ii. Child Tax Credit
    iii. Child and Dependent Care Expenses credit
    iv. Education credits
    v. Tax credits for retirement savings contributions
    vi. Help with Taxes from VITA, TCE
  b. Participate in retirement matching
  c. Retire debt
F. Recordkeeping
  a. Monthly payment calendar
  b. Monthly payment schedule
  c. Expense envelope
  d. Spending box
  e. Online/computer program
  f. Keep tax records for three years
G. Even a Little Bit Makes a Difference
  a. Most don't think a few dollars a day can add up
  b. Examples – $5/day, $20/week over time
  c. Setting personal goals
  d. The Goal: 2-6 Months' Expenses
H. Committing to Savings
  a. Putting money away before it's in your pocket helps most people be disciplined
  b. You won't miss it

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	I. Direct Deposit a. Paychecks b. Federal checks i. Must change to direct deposit 1. www.GoDirect.org 2. U.S. Treasury Electronic Payment Solution Center: 1-800-333-1795 3. At bank/credit union c. Benefits over paper checks i. Money deposited faster ii. Cannot be lost/stolen iii. Better protected from financial crimes iv. Better protected from delivery disruptions (e.g., due to weather) d. Can help save money i. Portion can be automatically put into employer retirement program 1. Save money because it is pre-tax income J. Retirement Contributions & Matching a. Payroll deduction automatic b. Best way to participate in market c. Employer match is free money K. Saving After a Loan is Paid

Theme music up

TERRI: Good afternoon and welcome to the "Money Smart Podcast Network, with Terri and Darryl."

Cross-fade music with SFX: interior of a bustling mall – sounds of footsteps, people chatting, occasional snatches of music from stores

TERRI: We're coming to you from Hanover Mall, for a special feature on saving money. It's one of the biggest challenges for many folks when it comes to managing money.

DARRYL: Yup. Prices keep rising and many people feel their incomes can't keep pace.

TERRI: We've brought with us personal finance expert and award-winning syndicated financial columnist Nelson Yang. Welcome, Nelson!

NELSON: Thank you Terri and Darryl! It's great to be here. There's nothing more gratifying to me than helping people save their hard-earned money.

TERRI: Well, you're going to have plenty of opportunities today to feel gratified. We're going to have shoppers in the mall today come over and ask you their most burning questions about how to save money.

NELSON: Fantastic!

TERRI: First, would you mind sharing with us what you think is the most important thing a person can do in terms of saving money?

DARRYL: Wait. Are you going to say "paying yourself first?"

NELSON: *(a little surprised)* Well, yes, Darryl. Actually I was—

DARRYL: —because I've always heard that paying yourself first is the best way to save. So I have part of every paycheck put directly into savings each month—

NELSON: —that's gr—

DARRYL: —and every month, I pull it right back out….

(Laughter)

DARRYL: So how come this paying myself first thing isn't working?

NELSON: Well, Darryl, you might be having some trouble with it right now, but paying yourself first really is smart. It's excellent advice that many financial advisors have at the top of their lists.

TERRI: Nelson, would you mind explaining what "paying yourself first" means?

NELSON: *(realizing he forgot to define it)* Oh – of course! Well…what paying yourself means is that the moment you get your paycheck—

TERRI: —and before you do anything else…

NELSON: Right. Before touching a penny of that money for any expenses, you put some of it into a savings account or retirement account—

TERRI: —some type of account that's meant only for your future expenses.

NELSON: Exactly. It could be for your retirement, it could be an emergency fund for things like unexpected car repairs. Or you can decide to split the money you pay to yourself into a few of these different categories.

DARRYL: Now, why wouldn't you pay yourself *after* you know all your bills have been taken care of?

NELSON: That's an excellent question. In my opinion, it's because of a little thing called "human nature."

TERRI: In my case, it's because of a big and magical place called…*(with a small sigh, speaking as though in a reverie)* "Something's Afoot Shoe Boutique…."

NELSON: So, rather than starting by paying your bills immediately…and then buying all of the necessities for you and your family…and then maybe deciding to splurge on a fancy dinner because, well, you deserve it—

TERRI: *(her speech gradually gets faster and more frenzied as she explains what has happened to her)* — and now, since there isn't much left, I mean it's really just a few dollars that'll never add up to anything, maybe...just maybe it makes a heck of a lot more sense to treat yourself to a nice pair of brick-red patent leather pumps at the "Something's Afoot Shoe Boutique." And then *if* there's a dollar or two left over once in a while, then maybe you can put that into savings.

NELSON: *(to Darryl)* Exactly what I said: human nature.

DARRYL: I get it. If you put some money into savings immediately, every time you get paid, you're making sure you won't spend it on anything else.

NELSON: Correct! And if you don't have that money, you won't—

TERRI: *(overlapping; half to herself)* —if you don't have that money, you won't be tempted to get those boots with the green tassels and the cute little zipper up the front….

DARRYL: So it's like automatic savings.

NELSON: Right. Many people never miss a manageable amount of their income taken off the top.

TERRI: *(still not quite herself)* We have a woman right here wearing the most adorable ballet flats, don't you think?

DARRYL: What I think Terri is saying, Nelson, is that a shopper named…?

MARCY: Marcy.

DARRYL: Thanks, Marcy. Nelson, Marcy is here to ask you a question about saving money.

MARCY: Thanks. Darryl, I heard you say this earlier. I think we're in the same boat.

DARRYL: And with my car on the fritz, that boat is starting to take on water…

MARCY: Well, just like Darryl, I put money aside every month. But I end up with a car repair, or a high heating bill, or some other extra expense – and I'm back to saving nothing.

NELSON: You're doing the first half perfectly – you're paying yourself first. But tracking and managing your expenses is the key to keeping money *in* savings.

MARCY: Tracking and managing?

NELSON: Yes. I have my clients keep a kind of money diary for at least a month. It's important that they record *all* their income, and *every* purchase or expense they have.

DARRYL: Not literally everything, though, right? I mean…a cup of coffee or the morning paper isn't much.

NELSON: I mean literally everything. One soda may not cost much. But often it's the small buys – a treat here, an extra there – that blow hundreds and thousands of dollars over time.

MARCY: That's incredible!

TERRI: *(to herself)* So many shoes!

DARRYL: Yeah. In case you couldn't tell, shoes were Terri's downfall. Long before she joined the Money Smart Podcast Network, she figured a little extra money here and there wouldn't amount to much in terms of savings. But she managed to turn her living room into a shoe closet.

MARCY: Wow!

NELSON: Marcy, this is why a personal spending plan is so important. Part of your monthly spending plan has to include a cushion for those unexpected things you mentioned: a car repair or a higher-than-usual heating bill.

MARCY: So how do you make a spending plan?

NELSON: You start with that money diary I mentioned. It will help you understand exactly how much money you get each month. If your paycheck is always about the same, you can check your pay stub and find the total amount you're paid, which is called your "gross income." Then you'll notice all the deductions for taxes and any benefits you pay for, such as insurance. Your "net income" is what's left after that. Your net income is what you have to work with.

MARCY: My husband doesn't always work the same number of hours, so his paychecks are different each time.

NELSON: Glad you brought that up. People whose income varies may need to track their earnings for a few months, to get an accurate average. And many people work more than one job, so they'll need to add the average net income for each job.

MARCY: Ok….

DARRYL: Some people get income from other sources, too. Right?

NELSON: Sure. Things like child support, alimony, social security, unemployment benefits.

DARRYL: How does someone factor those things in?

NELSON: For a spending plan, it's important to understand income that's long-term like social security, versus income that may stop, such as unemployment benefits, or a seasonal job. Once you know exactly how much income you can *rely* on every month, it's time to review all of your expenses.

MARCY: From the diary, right?

NELSON: Yes! So, there are two basic kinds of expenses—

DARRYL: —those that cost an arm, and those that cost an arm and a leg?

NELSON: You know, Terri warned me about you! No, the first kind of expense is a "fixed" expense. A fixed expense can be rent or mortgage, a car payment, your utilities, your credit card payments. Other expenses may not be monthly – like homeowners insurance – but you have a good idea of how much they're going to be, and you can set aside an amount each month to cover it. Now, Marcy, I tell people to set aside an emergency fund as part of their fixed expenses. It's for those unexpected things you were talking about, like car repairs. It's not to spend on entertainment or optional things – *Darryl*.

DARRYL: Okay – guilty!

NELSON: The second kind of expense is a "variable" expense. Variable expenses are the ones you usually have much more control over. They're things like groceries, entertainment, gifts, clothes, shoes—

TERRI: —My beloved shoe boutique….

NELSON: Oooops. Sorry, Terri. *(to Marcy)* So, now your spending plan will include your net income, minus your fixed expenses, and your variable expenses.

MARCY: And then…?

NELSON: From there, there are only two ways to get ahead – you spend less in order to save—

DARRYL: —Terri finally learned to do that.

NELSON: —or you find a way to increase your income. Does that help, Marcy?

MARCY: Yes. I think I better start that diary!

DARRYL: Atta girl!

TERRI: Man with…beautiful buckskin loafers….

KEVIN: What the—

DARRYL: —Sir! Sir, over here now. What is your name, sir?

KEVIN: Kevin.

DARRYL: Sorry about that, Kevin. So, Nelson, Kevin is another shopper with a question! *(to Terri, voice lowered)* Kevin does not want to be harassed by a crazy podcast host!

KEVIN: Um, yeah. So, I'm trying to save for a car, but I'm not getting very far. I have a decent income, so I know my problem is too much spending. How can I save for this car?

NELSON: There are a couple of good habits to establish that I think may help you.

KEVIN: Ok.

NELSON: First, be smart about *how* you pay.

KEVIN: *How* I pay?

NELSON: Yes. Keep a very small amount of cash with you – it feels more like "real money" when you pay with cash for things like coffee or a snack. And don't carry so much that you're tempted to overspend—there is a saying that someone told me once, money in hand is money spent.

DARRYL: What about credit or debit cards?

NELSON: Some people don't take their credit card with them when they go shopping because it can make overspending easy. Other people have a strategy of wrapping their debit card with a piece of paper containing their savings goals and spending targets to help remind them that money spent can't be used toward a savings goal.

KEVIN: Don't carry much cash, and be careful with the plastic.

NELSON: But be smart with your debit card – keep receipts or write down what you buy, and check your balance frequently. If you overdraw your bank account with a debit card, overdraft fees pile up very quickly.

DARRYL: Excellent advice. So now we're smarter in how we pay – how do we actually cut back?

NELSON: Most of us can start with food—

DARRYL: —*What?!!*

NELSON: Sure, cut back on food expenses.

DARRYL: Now wait a gosh darn minute. A man's gotta eat!

NELSON: I'm not suggesting you eat less!

DARRYL: Whew! Forgive me.

NELSON: I'm saying that you can save quite a bit of money by bringing lunch and snacks from home to work with you – as well as coffee and other beverages. You can bring snacks with you when you're travelling or running errands, too, instead of buying them at shops or restaurants, where they tend to be more expensive

KEVIN: That makes sense.

NELSON: And when you're grocery shopping, it's helpful to make and use a shopping list. You're more likely to stick to a list and not fall for impulse buys and extras. Also, take advantage of coupons or store savings clubs.

KEVIN: I guess I can do that.

NELSON: For clothing, shop in your own closet first – or arrange a clothing or accessory swap with a group of friends.

DARRYL: What else?

NELSON: You can find free or low-cost ways to reward yourself and your family. Your library probably has story time for kids and a book club for adults. Or go for a picnic. Some of these things can be more fun and memorable than cruising the mall – no offense Kevin – or eating out just to get out of the house – no offense Darryl.

DARRYL: None taken.

NELSON: Also, Kevin. Once you have your car, you might be able to save money for something else by carpooling. It can save a lot on gas and maintenance over time.

KEVIN: These are definitely a few tips that I can use. Thanks!

DARRYL: Yeah, lots of good stuff, Nelson. I just want to let our audience know that they can download a Sample Daily Spending Diary Worksheet, tips on saving money, and other tools in the InfoBooth portion of the Money Smart Podcast Network, at www.fdicmspodcast.com.

NELSON: There are some excellent tools in there people should check out.

TERRI: This is Terri, from the "Money Smart Podcast Network, with Terri and Darryl." We're going to interrupt this podcast here and continue it when you've finished your lunch. Or had a chance to sleep on it. Or returned to your car! It's up to you.

DARRYL: This is Darryl, from the "Money Smart Podcast Network, with Darryl and Terri." Welcome Back! Hopefully you had a good lunch. Or a good night's sleep. Or whatever you decided to do during your break. Now we'll return to the second half of this podcast.

DARRYL: Well, I'm going to try to sneak this woman over here before Terri starts obsessing about her shoes….

LATRICE: Hi Darryl. Hi, Nelson! I'm Latrice.

DARRYL: Nelson, I believe Latrice here has a question about killer fixed expenses.

LATRICE: That's for sure! I keep variable expenses low because I have no choice – after paying fixed expenses like my car payment, rent, and the utilities I have nothing left. How do I handle that?

NELSON: Latrice, it may not seem like it, but you might have some ways to reduce your fixed costs.

LATRICE: How?

NELSON: One way is to find a financial institution that offers a good deal for refinancing your car. Just pay attention to refinance fees or other costs that would eat any savings. You might even evaluate whether it would be smarter to sell your car and find a cheaper used model.

LATRICE: Ok. I can try that.

NELSON: Another tip is, whenever you sign a contract – like cell phone or cable – make sure you understand the monthly costs, and any cancellation penalties. If you've had your plan awhile, you might be able to switch to a less expensive plan – or switch providers for a lower rate.

LATRICE: I've had the same cell phone plan for a few years, so I'll check into that.

NELSON: Good! Now, I'm sure you know to pay on time to avoid late fees.

LATRICE: Sure.

NELSON: If you find yourself in an unusual situation that could delay payment – like an illness, maybe – call your landlord or other biller right away. Sometimes they will be willing to eliminate a late fee.

LATRICE: Oooh! I never thought of that!

NELSON: Talk to your utility companies, too—

LATRICE: —I'm sick and tired of getting hit with a huge heating bill the second the temperature goes down!

NELSON: Then you should call to find out if they have a reduced-rate program. You might be eligible. Or, ask if they have an "averaged billing program." They'll estimate your bill for the year and you'll pay one-twelfth of that every month. It doesn't save you money over the year, but it eliminates the surprise so you can manage your money better from month to month.

LATRICE: Thank you, Nelson!

DARRYL: Wow – wonderful savings advice. Terri…well, before she sort of got lost in her own little beloved "Something's Afoot" store—

TERRI: —Ooooh!

DARRYL: She said something about you sharing with us some important strategies for getting more income. Is that right?

NELSON: Yes! I have some suggestions to share about taxes and tax credits. It can really help over the year.

DARRYL: I think everybody would be interested in learning about that!

NELSON: One of the first things I recommend is to make sure that you're getting the right amount of taxes withheld from your paycheck. For example, getting a big tax refund means that you are having too much tax withheld. Some people think it's great to get a big tax refund. But that's money that you could have put into savings or invested – to make you more money throughout the year.

DARRYL: You don't want to have too little withheld, though. Right?

NELSON: Definitely not. You'd get hit with a big tax bill. Maybe even a penalty.

DARRYL: That would be bad.

NELSON: Then, there are a number of credits that can help you reduce your bill at tax time – or even give you a refund.

DARRYL: Let's hear 'em.

NELSON: If your income is below a certain amount, you might qualify for the Earned Income Tax Credit. If your children are in daycare, you may qualify for the Child and Dependent Care Expenses credit. If you or a dependent is in school, you might be able to take advantage of Education Credits. And you can also get credit for retirement savings. The IRS has some special programs, where IRS-certified volunteers help lower-income and senior taxpayers with free tax assistance.

DARRYL: "Free tax assistance?" "Free" is one of my favorite words!

NELSON: Well, if your audience needs help preparing their own tax returns, they might be able to get free help from IRS-certified volunteers who work out of local community centers, libraries, schools – hey, even shopping malls.

DARRYL: What do people need to know?

NELSON: They're eligible for these services if they make $50,000 or less per year or if they're at least 60 years old. The first program is called VITA the IRS Volunteer Income Tax Assistance Program, and the second is called TCE, the Tax Counseling for the Elderly Program. You can reach VITA by calling 1-800-906-9887 and TCE at 1-888-227-7669. Information on both can be found at www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers.

DARRYL: Any other strategies our audience members can use to get more cash coming in?

NELSON: Yes! A lot of people turn away "free money" at work.

DARRYL: Aaah. I think I know where you're going with this. Employer retirement programs?

NELSON: Employer retirement programs, that's exactly where I was going! Whether it's called a 401(k) or a 403(b) where you work, it's a program where you have money from each paycheck automatically put aside for your retirement.

DARRYL: We explain about employer retirement programs in another Money Smart Podcast called "Start Investing."

NELSON: Ok, so I won't go into too much detail now. But I want to say that many employers offer a matching amount to employees who participate in these programs. For example, if Marcy—

TERRI: —She wore the cute ballet flats!

DARRYL: *(in a soothing voice)* Yes, Terri. *(to Nelson)* She'll snap out of it soon. So, about Marcy.

NELSON: Well, let's say Marcy saves 5% of her gross income – remember, that's before taxes – and let's say her employer will contribute a match of 2% or 3% of her gross income. That's like free money.

DARRYL: "Free!" I love it!

NELSON: So I always urge clients to contribute at least the minimum amount to qualify for a match. And the earlier in life you start saving toward goals such as retirement, the less money you'll have to save over your lifetime because of the benefits of compound growth.

DARRYL: Now, many people struggle with debt. We covered that in a Module 1 podcast called "When There's Too Much Debt." But can you take a moment to talk about debt in relation to today's topic of finding money to save?

NELSON: That's an excellent question.

DARRYL: *(a little bit proud of himself)* Why, thank you.

NELSON: Paying off debt as quickly as possible can really make a difference. When you pay down high-interest debt, like credit cards, you avoid some *very* expensive interest payments.

DARRYL: Ok.

NELSON: Then, the monthly payment that used to go for credit card debt? You can put that into savings instead.

DARRYL: That's a smart idea! You won't miss it. And you'll be paying yourself instead of a credit card company. *(whispering)* Or a shoe store.

NELSON: Right!

DARRYL: You know, you have great tips. A *lot* of tips, actually. But some of us are, uh, a little challenged when it comes to keeping track of everything…

TERRI: *(back to her old self)* A *little*?!

DARRYL: …and, she's back ladies and gentlemen.

NELSON: Well, record keeping doesn't have to be complicated. Some people mark a calendar with each bill and expense, so they can keep track of how much is due and when. Others work up a schedule on paper, create a computer spreadsheet, or use personal financial management software. In fact, there are even free financial management websites you can use to keep track of your money.

DARRYL: Awesome!

NELSON: Something else: people who do a lot of their banking and bill paying online often set up their accounts to get automated reminders. That can be very helpful.

DARRYL: If you use personal financial management apps or software, you can set that up to give you reminders, too.

NELSON: Right! Oh, and while we're talking about keeping track of everything, I remind people whenever I can that it's important to maintain three years of your tax records in safe place – that includes all the documents and receipts that back up your tax returns.

TERRI: We have one last question, from a young man who's wearing very smart-looking work boots….

JEROME: *(to Terri)* Uh…thanks? *(to Nelson)* So, uh, I'm Jerome.

DARRYL: Welcome. How can we help?

JEROME: Well, I'm hoping you can settle something. I'm lucky if I have 10 dollars left over every week after all my expenses. My dad says I should save every extra dollar. But if I'm only saving 5 dollars or 10 dollars here and there? It can't be worth the hassle, can it?

NELSON: Jerome, sometimes even dads are right.

JEROME: No!

NELSON: It's true. Small savings really do add up. If you saved just that 10 dollars a week, over a year you'd have 520 dollars!

DARRYL: And that's *without* factoring in any interest you could earn from a savings account or by investing it! *(to Jerome)* Sorry, Jerome.

JEROME: That's ok.

NELSON: Now, if you were able to squeeze out another 10 dollars a week – maybe using some of the tips I mentioned earlier – if you added that money, you'd have over a thousand dollars saved in a year, again without including interest. If you add to that any "extra" money that comes your way – maybe it's a gift or your tax refund – you might easily boost that by another 500 dollars to 1,000 dollars.

JEROME: Ok, well my dad might have been right, but if I can save a thousand bucks or more a year by adding up those dollars? That's awesome!

DARRYL: Well, thanks for your question.

JEROME: Thank *you*.

DARRYL: Nelson, the next two podcasts in this module are all about savings accounts and investing. But can you give our audience an idea now about how interest can really boost your bottom line?

NELSON: Absolutely! Now, let's say Jerome puts aside one dollar every day.

DARRYL: Ok.

NELSON: And let's say he puts that one dollar a day into an investment that earns 1 percent a year. In five years, that account will have almost nineteen hundred dollars.

DARRYL: That sounds impossible!

NELSON: It may *sound* that way. But that's exactly what will happen. And in 30 years?

DARRYL: So, again, he puts one dollar into that 1 percent investment every day—

NELSON: —right. One dollar a day every day for the next 30 years. At that point, he'll have $12,696.

DARRYL: Are you sure?!

NELSON: *(laughing)* Yes, I'm sure. So, saving thousands of dollars might sound difficult. But when you put it in terms of saving one dollar a day?

DARRYL: It sounds possible! And over time, the results are definitely impressive. So how do you tell clients to get started?

NELSON: Everyone needs to set their own personal goals, whether it's saving for a home, retirement, or college expenses. At a minimum, I tell everyone to establish an emergency fund that can fully cover two to six months' of essential expenses.

DARRYL: Wow!

NELSON: Yeah, it sounds like a lot, but a medical problem…being laid off – all kinds of things can derail income, so it's really important to have that safety net.

DARRYL: That makes sense.

NELSON: Then, you have to commit to saving. Every week, every month. As we discussed earlier, paying yourself first is easiest for most people. If you use direct deposit, you can usually put part of your check directly in savings.

DARRYL: We mentioned direct deposit in some other podcasts. It's smart and easy – not only for paychecks, though, right?

NELSON: Right. You can also do direct deposit for federal—

DARRYL: —federal benefits like Social Security and Supplemental Security Income.

NELSON: Right. Actually, everyone who receives federal benefit payments by paper check is now required by the U.S. Department of the Treasury to get their payment electronically. It's the law.

DARRYL: So they *have* to do direct deposit now?

NELSON: That's right. But it doesn't take long for someone to make the switch.

DARRYL: Well, that doesn't sound too bad. How does someone go about it?

NELSON: They can make the change online at www.GoDirect.org.

DARRYL: Is there a phone number for people who'd rather call?

NELSON: You're way ahead of me.

DARRYL: Every once in a while!

NELSON: For people who'd rather use the phone, they can call the U.S. Treasury Electronic Payment Solution Center at 1-800-333-1795.

DARRYL: Ok.

NELSON: Another way to do it would be to sign up at their local bank or credit union.

DARRYL: And would you remind us of some of the benefits of direct deposit?

NELSON: Of course! Well, for one thing, your money is available sooner.

DARRYL: That's my favorite reason.

NELSON: And getting your checks electronically means there's no paper check that could get lost or stolen. Your payments are better protected from financial crimes and from delivery disruptions caused by severe weather and other unforeseen events.

DARRYL: Those are all close seconds, in my book. I think…you were going to talk about having some of your paycheck go directly into savings?

NELSON: Yes! So, if you have direct deposit, you can have your employer set up automatic payroll deductions for you.

DARRYL: You mean taking advantage of employer retirement plans?

NELSON: Right. Because the money is taken out of your paycheck *before* taxes are taken out—

DARRYL: Ooooh! That's on your *gross* income!

NELSON: Yes! Because it's taken out of your gross income, you wind up paying taxes on a smaller amount of money. Which typically saves you money.

DARRYL: So that means double savings?

NELSON: Yeah! Plus free money if your employer matches retirement contributions.

DARRYL: That could *almost* make me enthusiastic about saving! Nelson, thank you so much for joining us.

Theme music up

DARRYL: From the Hanover Mall, this has been the "Money Smart Podcast Network, with Darryl and Terri." *(to Terri)* Terri? Terri? Ok, lesson learned. No more on-location reporting from shopping malls.

Music fades