



Ontario Home Economics Association

Ask a Professional Home Economist

For Immediate Release

The 10% Savings Solution

by Patricia White, P.H.Ec.

The 10% solution takes the math out of saving and it makes good financial sense. To figure out how much you need to save, simply take your net pay (the amount after deductions) each pay period and ‘drop’ the last digit. For example, if your pay is \$600, save \$60. What could be easier?

While it may sound easy, the personal savings rate for Canadians in the first quarter of 2007 was just 2.6%. This is down 0.7% from the previous year and down significantly from 20% in 1982. Canadians no longer have the ‘rainy day’ cushion to protect themselves from the ups and downs of the economy or personal difficulties.

Canadians are doing better than their American neighbours when it comes to paying off credit card balances each month. In 2005, 43% of Americans carried balances compared to 27% of Canadians. However, this indebtedness comes at a cost with interest charges.

What can saving do for you?

- Saving relieves personal stress and improves relationships. Many studies suggest that disagreement over finances is the major reason for marital strife and divorce. Financial stress is not necessarily due to a lack of income, but instead is due to unsustainable spending patterns.
- Saving reduces reliance on credit, and you can save money by avoiding interest charges.

- Saving helps fund a comfortable retirement, yet most Canadians are not putting enough away for their retirement years. As employers decrease or eliminate pension benefits, private savings are the only remedy.
- Saving increases confidence and the likelihood of having sufficient money for your needs.
- Saving is habit forming. If 10% is too daunting, start with 5% or 3%. Small amounts of savings add up quickly.

Once you've started the habit of saving, the question is where to put this money. Consider placing one-half of the monthly savings amount into a pension plan that may be matched by your employer or your own retirement savings plan. Save one-third in an emergency fund and the remaining portion in another account earmarked for savings. These last two portions can be held short-term in savings and/or money market accounts. The rule of thumb for emergency savings is to have three to six months of household expenditures set aside for unplanned expenses.

Start saving now! You will feel better and can watch your money grow.

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Patricia White is a Brantford-based professional home economist with over 20 years' experience in the financial counselling field and a former Executive Director of the Ontario Association of Not-for-Profit Credit Counselling Services. Currently, Patricia practices as a financial coach helping families and individuals who are in financial difficulty and consults with not-for-profit agencies in the field of credit counselling. She is a member of the Ontario Home Economics Association.

The Ontario Home Economics Association, a self-regulated body of Professional Home Economists, promotes high professional standards among its members so that they may assist families and individuals to achieve and maintain a desirable quality of life.

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