

# Saving Strategies for Any Economy

## Four Tips for Building A Nest Egg

By Pamela Yellen, President, Bank On Yourself

Building a savings — not an easy task in the best of times — has become even more of a challenge during the recession. People who had their retirement savings invested in 401(k) plans saw 40 percent or more of their wealth evaporate in the meltdown.

Today, so many people have watched their retirement savings recover somewhat, only to lose ground again due to jittery, unstable markets. So how can people build a bigger nest egg when times are tough? Here are four tips to help people take control of their finances:

### 1. Know the Difference between "Saving" and "Investing"

Wall Street and the financial planning industry have led us to believe that "saving" and "investing" are the same. They are not. Money put in savings is money a person doesn't want to (or can't afford) to lose. Money invested is subject to loss. Most people today "invest to save," but they have no idea what their nest egg will be worth when they plan to tap into it.

This is not a financial plan. It's gambling. And it has led to

a nation of Americans wondering if they will ever be able to retire, and what they will have to give up in order to do that.

A typical equity mutual fund investor has actually been losing 1 percent per year for the past 20 years, after adjusting for inflation, according to the research firm DALBAR. The bottom line: Money a person cannot afford to lose shouldn't be invested in stocks, real estate or other traditional investments.

### 2. Don't Wait to Pay Down Debt Before Increasing Savings

Often people think they must pay down their credit card balances and other debts, before they can increase the amount they save. But that is not necessarily true.

**Case in point:** A woman in her fifties was paying \$600 to \$800 a month more than the minimum payment due on her credit cards. She discovered that by cutting back to the minimum payment and putting the

difference into a guaranteed savings vehicle, she could have a nest egg worth about \$50,000 more than she otherwise would when she retires at 65. I call this a "better than debt-free" way to manage money.



### 3. Look Beyond Traditional Saving and Investing Methods

Many people do not realize there are proven and time-tested ways to grow a substantial nest egg without the risk or volatility of stocks, mutual funds, real estate, and other investments. One asset class has increased in value during every period of economic boom and bust for more than a century: dividend-paying whole life insurance.

A dividend-paying whole life policy grows by a guaranteed and pre-set amount every year. *The growth is exponential*, meaning it gets more efficient every single year the policy is held. This gives some protection against inflation and provides peak growth at the time most people need it most — retirement.

Such policies can even include options that turbo-charge the growth of equity (cash value). Once credited to the policy, both guaranteed annual increases plus any dividends paid are locked in. They don't vanish due to a market correction. These policies also provide peace of mind for retirement planning, because they specify the minimum guaranteed income a person can draw in retirement.

### 4. Realize Saving Doesn't Have to Mean Sacrificing

Saving with this kind of specially-designed dividend-paying whole life policy allows the policy holder to borrow equity and use it for needed major purchases. Some companies offer policies that will continue to

grow as if no money had been withdrawn. This can open up all kinds of new possibilities for responsible savers.

A couple whom I know had not taken a vacation since their honeymoon eight years earlier. They could not justify taking a vacation because they felt they should save the money. They hated the idea of putting it on a credit card and having to pay all that interest. So they borrowed the money from their policy for a one-week vacation at a resort on the Mexican Riviera.

They set up a schedule to pay back the loan to their policy over a year, and made plans to use the same dollars to take a nice vacation every year. By using this powerful saving tool, they found a responsible way to do something for themselves they would not otherwise be able to do.

By saving instead of gambling, hardworking Americans can provide for their financial future. It takes know-how, and the willingness to try something that's time tested, but different from conventional, unpredictable investing strategies.

As a consultant to financial advisors, author and financial security expert, Pamela Yellen investigated more than 450 savings and retirement planning strategies before learning about Bank On Yourself. This approach uses specially-designed dividend-paying cash value whole life insurance policies to create secure savings plans for families who want to protect their financial future. Pamela spent five years investigating and implementing the Bank On Yourself method for her own family before offering it to others as a secure and proven alternative to the risk, volatility and unpredictability of other savings plans.

**Pamela is the author of the New York Times best-selling book, "Bank On Yourself: The Life-Changing Secret to Growing and Protecting Your Financial Future." Learn more at [www.BankOnYourself.com](http://www.BankOnYourself.com)**

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