

Business

> [News](#) > [Business](#)

[Print this Page](#)

[←--back to story](#)

Saving without feeling the pinch

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About 20 percent of American households making under \$50,000 annually spend 40 percent of their after-tax income to service their debt, according to the Pennsylvania Institute of Certified Public Accountants.

Saving and paying off debt accrued over the holiday season are financial issues on the minds of many in the new year. Crafty ways to pay off that debt while saving would be beneficial - while also saving unnecessary stress.

"According to the US Commerce Department's Bureau of Economic Analysis, the savings rate in November was 4.7 percent. Between 2005 and 2008, the rate barely topped one percent and even fell into the negative. In the face of the recession, consumers are saving more and trying to pay off debt," said Kathleen Miller, Pennsylvania Institute of Certified Public Accountants communications manager.

One way to reduce the amount of money that creeps out of the bank each month is to re-evaluate the bills already there. Changing to a cable or satellite provider, phone company or garbage disposal company with the same services at cheaper rates is one thing that can be done.

"Then with the money that you have saved, you can actually save that money and put it into a savings account. In other words, you reduce your expenses," accountant Nancy Montanye said.

Items such as a person's budget, income and expenses need to be taken into consideration when trying to save, according to Montanye.

"Look at your wants versus your needs. Take a look at the things that you need and see if there is anything that you can do to reduce those expenses. But the wants, you can possibly reduce or eliminate some of those," Montanye said.

Things such as recreational activities, gifts, eating out and clothing budgets could all be reduced, according to Montanye.

One way to make this easier would be to set up a rewards system.

"You can have a reward system built in. You can save half of the money and the other half can be used on little luxuries," Montanye said.

Matured savings bonds can also be cashed in because they have matured and are no longer receiving any interest.

"They may as well cash the savings bonds and

put them into something that can gain some interest. In 2010, all of the U.S. series E-bonds are reaching their final maturity in June. If anybody has a stack of them in their safe deposit boxes, they may want to pull them out," Montanye said.

This will also be the last year for no tax on some capital gains. So if anyone is thinking of selling their stock, he or she better do it now, according to Montanye.

Capital gains tax is the tax placed on the profit portion of stock. The full amount is not taxed, just the profit portion.

Paying down credit cards is another way to get out of debt. Some should consider consolidating their high-interest credit cards into a low-interest one. But, Montanye said caution should be used when doing this by paying attention to transfer fees and paying the bill on time.

"If you make your payment late, many times the interest rates are increased. You always want to be cautious to pay things on time. Set up a plan for repaying these credit cards. Don't add to your debt. As you get some of that paid off, you will have more money freed up," Montanye said.

Credit and debt consolidation counseling are other avenues that individuals may want to explore, according to Montanye.