

It's not saving without a plan

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Allen Nichols' income plummeted 50 percent. Desperate, he turned to his 401(k) retirement savings to survive. While that money whittled away, Nichols, a commission-based salesman, also began unloading expenses.

He sold the family's lake house. He downsized to cars with payments he could afford. He stopped eating out, refused to make large purchases and began knocking down the \$20,000 in credit card debt to its current point of about \$2,000.

No one would argue that the changes he made were not positive. But will his behavior change when his paychecks get back to where they were?

"No," Nichols, 51, said emphatically. "I will not go back."

The national savings rate has risen to 6 percent. But as consumer confidence ticks upward, purse strings could loosen as well. It is then, economists say, we'll begin to see the differences between **hoarders and savers — people who are saving out of fear, and those who are doing so with a strategic financial plan for their future.**

"If you are projecting forward, thinking of what it will take to get to a particular goal and setting money aside in a systematic way, you have a savings plan," said **John McCosh** of CredAbility, a nonprofit credit counseling service. "If there has been a change of attitude, they will be savers. If [the economy] only scared them and they hurriedly stuck money aside and there is no behavior change, they are leaving themselves vulnerable again."

In a poll taken by the **Georgia Credit Union Affiliates**, 52.8 percent of respondents are working to increase their savings. Still, 50.3 percent said they could survive only three months or less if they lost their income. One in five respondents said they had enough savings to last more than a year. About 26 percent said they could not sustain through any loss of income.

That's not a position **Joyce Scott**, 27 of Atlanta, wants to find herself in. She depleted her savings while in graduate school and during the three-month period of unemployment that followed. Scott called it a "scary" experience. Since finding employment, she has saved a portion of her paycheck before doing anything else with it.

"It's not too extreme," she said. "You've got to enjoy life, but I'm a lot more conservative than I used to be...I have a much more immediate sense that I have to take care of this now."

So does Nichols. He has two children in college, including one who graduates in December. He has paid for his daughter's wedding. And he and his wife are planning to volunteer more time in an orphanage in Mexico. From now on, he's thinking long-term.

“It has been a lesson learned,” he said. “We’re chasing financial freedom as fast as we can.”

Question: Are your saving habits permanent? Is your saving motivated by fear or a plan?

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