# SAVINGS

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## Why should we save?

We should save regularly so that it can be used in times when our expenditure is more than our income and we need more money. To meet higher expenses on birth, education, marriage, purchasing farm seeds, purchasing own house, etc. To meet expenses on account of unexpected events like illness, accident, death, natural calamity. During the emergencies, savings can come to rescue. Money is needed for lean periods i.e. when we are not able to earn.

In short, when we have to spend more money than we earn, we can meet these expenses from our own money if we have enough savings.

## How to save?

We can save either by cutting expenses or by increasing our income. Presuming income is same, we spend money for purchasing either essential or non-essential items. Essential items are those things we really cannot do without, such as food, clothing, house repair, seeds and farming tools, children's education and healthcare. We need these things every day for survival, whereas, non-essential items are 'extras' in life which we need because we enjoy them. Expenses on such items can be either avoided or reduced or postponed, e.g., spending money on drinks, going out, Cinema with friends, gambling can be avoided whereas excessive expenses on marriage, festivals, parties can be reduced and expenses on TV, bicycle, car, jewellery, etc, can possibly be postponed. The less we spend on non-essential items, the more we will be able to save for essential things.

## How can we save when we do not have enough money even to meet our regular expenses?

The common refrain is that we do not earn enough so we cannot save. The truth is that everyone needs saving and can save. We should keep aside a portion of our earnings as saving from day one of our earning life. The important thing is that we should start saving early and regularly in our life, even if it is a small amount. And if we get some unexpected profit/earning, we should save all or most of it. This will reduce our worries of future financial needs and help us in dealing with unexpected expenses. If we earn €100, we can save €20 and if we earn €10, we can save €2. If we keep aside €20 out of €100 we earn, then in 5 earning days, we would have saved one day's earning. In 100 earning days this would mean savings equivalent to 20 earning days plus interest. Is it not amazing!!!!

## For how long should we save?

The longer we save, the more our savings will grow. The more we save, the more we will be prepared for emergencies and non-working age and not dependent on others for meeting our needs. As our savings grow, we will not have to borrow to meet our needs. When we save for longer periods, our savings will multiply many times as it earns interest.

## Where to Save?

We might be keeping our savings under the pillow or in the cupboards next to bed. But what happens? We would always be worried about its safety. Someone may steal it or we may be tempted to use the money or others may be tempted to borrow. Also, money saved at home does not grow. The best way to save is to deposit the money in a bank account. While small amounts can be kept in a drawer, it is wiser to keep our savings in a bank.

## Why save in a bank?

Money kept in a bank is safe as banks are regulated and pool the savings for nation-building. Apart from safety, banks do not charge fee for depositing the money. On the other hand, they pay us interest on our deposits, so our money grows in bank. Putting our money in a bank means we can also use it whenever we need it. The transactions with the banks are transparent. Banks offer lots of other useful services. When we have a deposit account with banks, we can easily get many facilities like loans and remittance facilities at reasonable cost. We can even nominate a person who can claim the money after our death.

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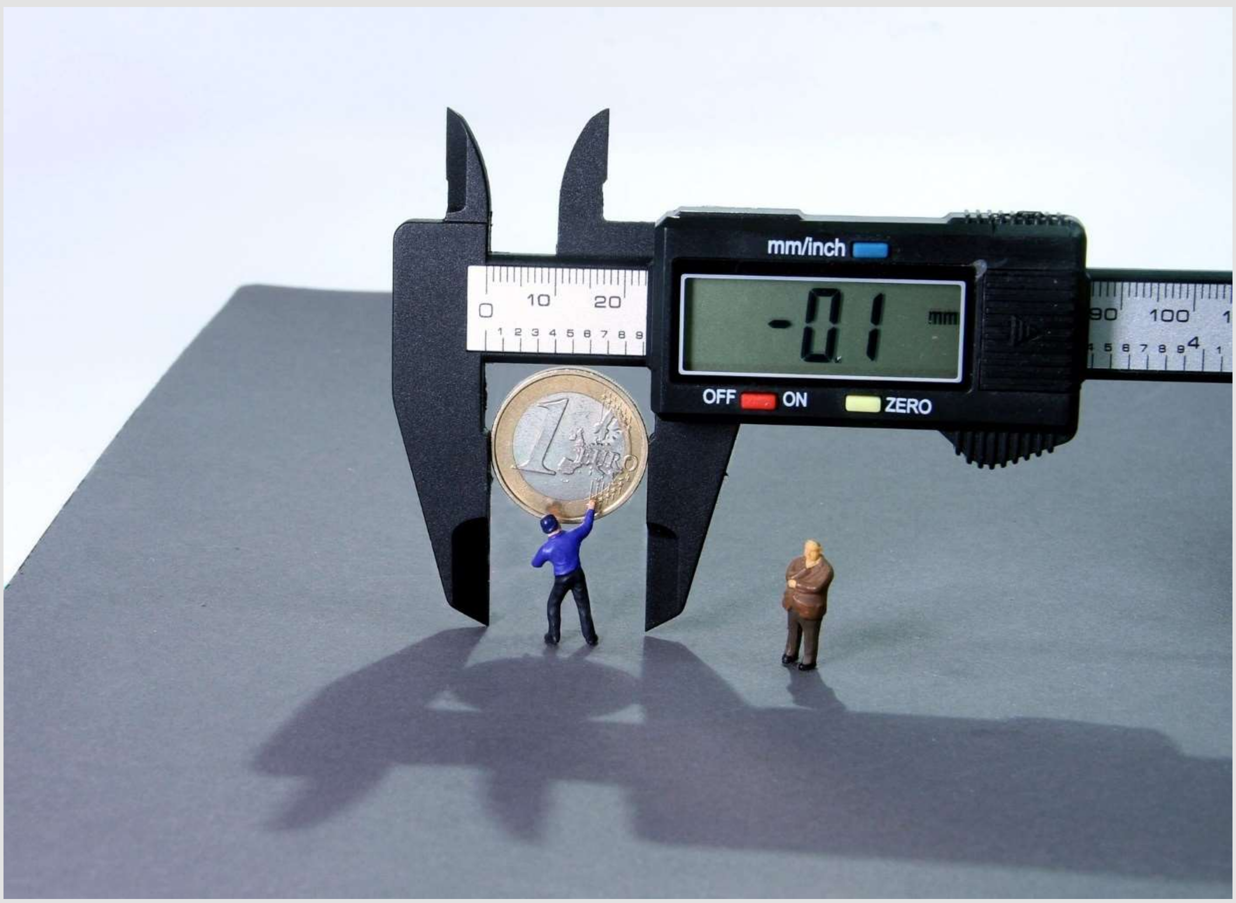
## What is interest?

Interest is the amount our money earns when we save our money or it is the amount we have to pay when we borrow money in addition to the borrowed amount. The money which we keep with banks is not kept idle. The banks lend this money to other people. Those who borrow money from banks pay some interest.

Say, we deposit €1000 with a bank. The bank lends that amount to another person. He pays, say €100 as a charge to the bank at the end of 1 year. The bank gives us a share of it, say €40. This extra income which we get from keeping €1000 for 1 year with the bank is known as interest.

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