Savings? Is it Guaranteed?

Teenagers need to learn, when they are young, that saving for the future is important. If they learn the concept early enough, they can make use of the magical ability of compounding, that snowball effect where a pile of money grows at a faster clip as more interest (and investment growth) grows on top of more interest and growth.

It is always so rewarding to watch teenagers associate this simple mathematical concept with its ability to make them potential millionaires.

The classic example is from the National Endowment for Financial Education (NEFE) High School Program. John saves $2,000 every year beginning at age 20. Over the 47 years the money is invested, tax-deferred, at an average growth rate of 7%. When retirement approaches, John finds the $94,000 he set aside is worth more than $700,000.   His sister, Sally, doesn't begin the process until she reaches 30, and she never catches up. When she retires at 67, her $74,000 is worth less than $350,000.

But there's another interesting question that usually occurs when astute teenagers are learning about saving money. Some bright young person usually will ask, "Is that guaranteed?"

Ah, there's the rub. Nothing is guaranteed, especially in financial markets. Just ask the retiring baby boomers who hoped their investments would double during the first decade of the new century. Not an unreasonable assumption, but in this case, the results fell far short.

So if its not guaranteed, why save?"

It's a fair question, one which probably represents the feelings of a large percentage of our citizens. After all, before the recession, Americans weren't saving even 1% of income. Average 60-year-olds haven't saved even $50,000 for retirement.

The answer to this good question is multifaceted. Yes, everyone should be saving, but a solid financial future is not just about a dollar amount socked away. It's about a number of simple financial tasks, some performed on a regular basis and some done when circumstances or markets change.

The tasks aren't hard. They include setting goals, budgeting, saving, investing wisely and evaluating potential outcomes. There are no guarantees, but attention to these basic financial tasks can guide everyone through the market gyrations. Everyone can learn to select a prudent course that acknowledges the many possibilities that might develop and accounts for both the ideal and the less-than-ideal spending amounts for each phase of life.

For anyone who wants a better grasp of the important tasks of personal finance, your local library has many valuable assets. Take a class on basic financial learning, or check out a book that explains the simple concepts of life-long personal money management. There's a new book that puts simple financial tasks in an easy-to-follow action plan that works in good times and bad. The book was just published in January 2016: *The Index Card: Why Personal Finance Doesn't Have to Be Complicated,* by Helaine Olen and Harold Pollack.

Get a head start on exploring the simple tasks that could possibly guarantee your solid financial future.