

Unable to Find 'Extra Money,' Americans Have Sparse Savings

Chris Metinko Apr 17, 2015 7:00 AM EDT



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NEW YORK (MainStreet (<http://www.MainStreet.com>)) — Brenda Norwood knows the importance of saving, but just like many Americans, it's the execution that alludes her.

“The greatest challenge to saving that I face is finding extra money (<https://www.mainstreet.com/article/save-money-by-not-throwing-it-away-at-the-grocery-store>) in my budget to save in the first place,” said the 54-year-old accountant and single mother who lives in the Great Los Angeles area. “My expenses often leave nothing to save at the end of the month.”

Norwood is not alone: a new survey from the non-profit NeighborWorks America shows 34% of adults in America don't have any emergency savings, up from 29% last year. The survey also found 47% of adults said their savings would last three months or less, compared to 41% in 2014.

“My lack of savings (<https://www.mainstreet.com/video/financial-literacy-month-how-much-money-do-i-need-in-an-emergency-fund>) sometimes keeps me up at night,” Norwood said. “What happens if my car breaks down and it's an expensive repair (<https://www.mainstreet.com/article/the-best-choices-to-keep-your-mechanic-honest-and-repair-costs-down>)? I have the barest minimum possible (<https://www.mainstreet.com/video/financial-literacy-month-how-much-money-do-i-need-in-an-emergency-fund>) taken from my paychecks for retirement and I'm terrified that when I finally get to that age, it won't be enough.”

While people should maintain about a six-month emergency fund (<https://www.mainstreet.com/article/your-post-recession-emergency-fund-probably-isnt-big-enough>), John Lindsey, a certified financial planner and CEO of Lindsey & Lindsey in Westlake Village, Calif., said the reality is most Americans barely have enough savings for two to three weeks.

“Most Americans just don't save enough,” Lindsey said. “The important thing that people have to remember is to always maintain six months of emergency funds, readily available to them to tap into should something happen that is unexpected and truly an emergency —and can't be used for anything else.”

Lindsey said emergency (<https://www.mainstreet.com/article/how-women-can-take-action-catch-up-with-men-on-retirement-savings>) funds can be put into liquid securities, liquid investments and things that are short-term in nature so that the funds are easily accessible when needed.

And while a significant portion of Americans are coming up short on the savings side, not all are falling behind putting away for a rainy day (<https://www.mainstreet.com/article/what-rising-interest-rates-mean-for-you-for-mortgages-savings-and-investing>). While a new Bankrate.com survey shows only about half of Americans are saving no more than 5% of their incomes, more than one-third — 35% — of middle-class households with annual income between \$50,000 and \$74,999 are saving more than 10% of their incomes.

“Middle class earners have more money to work with and are more likely to have something left over, whether you plan for it or not,” said R. Joseph Ritter, Jr., a certified financial planner with the non-profit Zacchaeus Financial Counseling, based in Hobe Sound, Fla.

The middle class also has better access to financial advice (<https://www.mainstreet.com/article/looking-to-get-financially-literate-dont-expect-business-educators-to-help>), giving them more help with their savings, Ritter said. However, he added that doesn't mean lower income earners can't save, just that it becomes harder.

“Saving takes deliberate planning, and often the attitude among low-income earners is that you wouldn't have enough left over to make planning worthwhile,” Ritter said. “In most cases, that's simply not true. Usually, you can save something.”

Leslie Handler knows. Due to job loss and serious illness, Handler and her husband lost their home after 28 years. What's more, they still had car loan debt and their children's college loan debt to pay.

“We moved to the first rental we'd had in almost 30 years,” said the 54-year-old Philadelphia resident.

Handler said her husband and she just made simple adjustments — more trips to the Dollar Store, no eating out and even cutting out long road trips to avoid paying the tolls.

“Whatever we didn't absolutely need went to paying off those debts (<https://www.mainstreet.com/article/americans-choosing-to-keep-their-savings-closer-to-home>),” she said.

Now, two-and-a-half years later, all of Handlers' debts are paid off, though she and her husband continue to live frugally and save — with a strong desire to never fall in debt again.

“Not only do I not feel I'm missing anything, I feel liberated,” she said. “If I want to go out to eat — I do. If we want to go on vacation — we do. I have everything in the world a person could possibly ask for and no desire to go back to my previous life.”

--Written by Chris Metinko for MainStreet