Jane Walstedt: Now, I'd like to ask Grace Protos, a program analyst in the Women’s Bureau regional office in New York City, to introduce our first speaker.

Grace--

Grace Protos: Hi. Good afternoon.

I'm very pleased to introduce Michael Masiello. Michael Masiello is President of Masiello & Associates, a family-owned business formed in 1994 that provides personalized financial and estate planning services and products to assist people in accumulating and preserving wealth and providing for those they care about.

Mr. Masiello is the creator and instructor of a number of community educational programs involving women and money including Women and Investing; Divorce Planning; What to do before you say I Do; Retirement Planning for Women; and Yours, Mine and Ours… A Practical Guide to Marriage and Money.

Mr. Masiello has a BS Degree from St. John Fisher College in Business and Finance. And I'm very happy to welcome Michael Masiello.

Michael Masiello: Thank you, Grace.

And welcome to everybody. First let me say, I'm thrilled and honored to be part of this group, and I can't wait to see some of the programs coming out over the next couple of years because there certainly is a need for the
introduction that was read from the gentleman, Tony. It sounds like the first 10 or 15 things I was going to cover because I agree wholeheartedly that the core element, as I see it, is people’s perspective on savings, what you’re saving for, emergency savings.

Regardless of income stream, it really and truly, in my opinion, is a force or a discipline in strategy that either determines your success or failure regardless of income stream.

Certainly, people would argue that with higher income it’s easier to save money and pay yourself first. And I would counter that many people live to their income level. And unfortunately, too many people live beyond their income level.

So, the first core or cornerstone or if you want to look at it as a pyramid--the base of your pyramid--should be, in our opinion, an emergency savings bucket. That is not viewed as an investment, but is purely a deferred spending and/or an emergency bucket. And it depends on who you ask and it depends on the unique circumstances in your personal circumstances and professional careers that dictate whether one month or six months [worth of living expenses] is the right number.

I think the standard industry norm is somewhere between one and six months of your fixed living expenses in a liquid cash account readily available without any penalties and without any time restrictions [on when you can draw the money out without penalty]. [That] is pretty much a standard definition [of an emergency fund].

And again, I say, job security can dictate that because, for example, some people get paid differently than others. Teachers, for example, may need two or three months worth of expenses to live [on] over the summer, although
their higher income [months] are during the school year. Some people whose jobs aren't as secure as others may want to have more of the emergency money set aside because they think or know that their job position is somewhat tenuous at best.

So really and truly, the emergency saving is the first step towards building any kind of a financial plan relative to, you know, its pyramid or its priority of importance.

And many people unfortunately look at the emergency savings as a spending account and/or as an investing account. It really should not be looked at like that.

Our preference is that the emergency savings is just that--it’s purely to account for the automobile [expenses], the unanticipated job loss, the furnace blowing up, the large out-of-pocket expenditures that are abnormal but yet potentially could happen on a regular basis. And it depends on whether you are an employee, an executive and/or a business owner. You may also have to set up emergency savings for your profession or your practice or your business in addition to what you’re doing personally.

And here again, how do you define and identify how much money to set aside? Our preference again: somewhere between one and six months based on your comfort level, capabilities and situations. And you may not be able to start off off the bat with that amount. But perhaps you have to build up to a certain level, and it may take a couple of months. It could even take a couple of years to get you from a zero point to where you want to be.

Just use that as your goal, and recognize that along the way you may have to tap into it, but continue to contribute to it, and, as much as you can, put it on autopilot or on an automatic--what they call an ACH--withdrawal, which is
nothing more than a fancy acronym for the banking industry. You transfer money from your checking account to an emergency savings account.

The critical path to setting this up is first identifying your budgeting, because, candidly, many people pay their bills, take care of everything else, and if there’s a little bit of money left over at the end of the month, they say, “I'm going to take care of it and pay myself or invest it or save it.” The reality is life happens and it doesn’t get saved, it doesn’t get invested, and more than likely it gets spent.

So our preference would be [for you to] set it up on an automatic basis—systematically each month it occurs—and truly, you are paying yourself first. And if you think about it from a priority standpoint, you should be the first bill in your list of bills on a monthly basis.

Getting there helps you define your budgeting. And now you can go about paying your bills, listing them out, tracking them, and saying, “Okay, if I'm not doing okay with this current method of payment of bills, where can I look to cut back, and what budgeting tricks or secrets can I use, or how can I save some money?”

There’s lots and lots of sources of little tidbits and hints as to where to go to get some of these savings ideas. And we can talk offline or at the end. If you have questions, I'll be happy to address them.

The - I guess- critical part that I’d hope everybody would pick up on is that [saving] is a discipline. It is a habit, and it is priority setting that dictates where your money goes. Nobody forces you to do anything, but if you have the internal discipline to set up your own automatic withdrawals, you will find over time your piggy bank does in fact grow. And that’s the great thing, and
you start to get excited about it, and before you know it, you’re looking to put more money in it. So, it has a psychological effect as well.

Going hand in hand with the pay yourself first, the emergency savings, is also the elimination of debt because, candidly, it’s very hard to have a savings or an investment strategy until you have spending discipline.

And that’s the area where people fall down. “Well, I only make X; I can't do that.” “No. Yes, you can.” You have to make some tough choices. And unfortunately they are tough choices, but it’s a question of what’s most important, what are you saving and investing for, what are you building towards, et cetera, et cetera. And if you have a priority list, and building an emergency savings [account] is at the top or near the top [of the list], that should get the bulk of your excess cash.

So monitoring, managing your cash flow and your budgeting [are] critical steps to be able to say, “I can set aside $50 a month or $100 a month to my emergency savings account. And then once that’s full, I can then move to investing or saving for expenditures, vacations, nice things, et cetera, et cetera.”

It, truly…regardless of income stream, [the] concept to pay yourself first is something that does work. It may be old-fashioned, but it works, and it may take a little bit of time, but ultimately it does meet your goals and objectives and really secures your footing to go out and do some of the other things, for example financing investments and retirement, et cetera, et cetera.

So I think I'm just tapping my 10 minutes. So I'm going to finish up, and if you have questions, please feel free to queue in and I'll be happy to address as many of them as we can get to.
Thank you for listening.

Jane Walstedt: Thank you, Mike. That was very informative. I particularly like your [way of] putting it: You should be the first bill in a list of bills. I haven't heard it that way. That’s a very good way to think about it.