

Saving and Investing

One of the biggest mistakes regular working people make is not understanding that saving and investing are two different but equally important concepts. Saving involves not spending current income, while investing requires you to take those savings and do something with them to earn a return. Saving often becomes easier when separated from the choice of where to invest. Find ways to make saving as automatic as possible, then take your time to research and select investments. We as NYCTA employees have some have some GREAT investment vehicles which can really make “tomorrow” much better. **The MTA Deferred Compensation Program** has 401 and 457 (k) plans with a variety of investments that suit everyone’s risk acceptance and future goals. You can have both a 401(k) and 457 (k) plans, and it’s an automatic payroll deduction so it goes in before you see it. Across the years these investment vehicles have performed admirably. **Also remember that ALL OF THESE INVESTMENTS ARE FIDUCIARY,** which means **they are bound both legally and ethically to act in the client’s best interest.** If you seek outside investment opportunities, it might be prudent to pursue ONLY Fiduciary investments and financial advisors. Fiduciary advisors are required by law to put their client’s interests ahead of their own.

A Municipal Credit Union account can be beneficial also, the MCU is an institution with a long history of providing for the financial needs of municipal employees. They are much more amenable to loans to regular working-class people that savings and commercial banks would never touch. An MCU deduction is done as an automatic payroll deduction, done before you can spend it. If you have an account already you are eligible for a credit card consolidation loan which can get out from the crushing interest rates charged by credit cards. If you are carrying a balance on your credit card at 15 to 20+ % it will take years to pay it off with the minimum payment. MCU will issue you a credit card payoff loan at a much, much, much more reasonable rate and the **maximum** time for repayment is five (5) years. You apply in person to a loan officer; you bring in the credit card statements and MCU pays the balance with the loan. So, you save A LOT on monthly payments, the loan is paid monthly before you see it and in five years or less you are debt free. Five years is the maximum on these loans, so you can pay more on a monthly basis and have it paid off earlier. You win all around. Some commercial/ savings banks or financial services companies offer something similar but beware of underlying hidden fees and charges. In essence this comes down to: start saving a portion of your income, make it automatic (if possible) maybe increase the amount with any new raises or a percent of new raises. (You were making it on your present income the raise is new money). Remember, these particular investments are made for the long term and have restrictions and rules as to payouts. Don’t forget that 401K and 457k money comes out BEFORE taxes are paid and are tax deferred until you start to draw them down after retirement.