



HOW TO SPEND YOUR MONEY



THE ORDER REALLY MATTERS!

PHASE 1 Set realistic financial goals & budget and reduce expenses

PHASE 2 Build an emergency fund

PHASE 3 Employer sponsored matching funds

PHASE 4 Pay down high interest debt and increase emergency fund

PHASE 5 Savings for retirement in an IRA or employer account


PHASE 6 Save more for retirement

PHASE 7 Save for other goals and consider early retirement




PHASE 1

Set realistic financial goals, budget, and reduce expenses

- » Pay rent/mortgage (should not exceed 30% of your income)
 - » Buy groceries
 - » Pay essential items
 - » Pay income earning expenses
 - » Pay health care
 - » Make minimum payments on all debts/loans
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PHASE 2

Build an emergency fund

- » Build a small emergency fund of 2 months worth of expenses
 - » Pay any non-essential bills in full (cable, internet, phone, etc.)
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PHASE 3

Employer sponsored matching funds

- » Does your employer offer retirement account matching?
- » If yes, contribute the amount to get the full amount of the match, nothing more.

PHASE 4

Pay down high/moderate interest debts and increase emergency fund

- » Have high interest debt (>10% rate)? Pay this down first!
- » Have moderate interest debt? (>4-5% rate and not your mortgage) Pay this next!
- » Have neither? Increase your emergency fund to 6-9 months worth of expenses



PHASE 5

Savings for retirement in an IRA or employer retirement account & savings for personal investment

- » If you can still contribute to a Roth or Traditional IRA, now is the time (there are income limits)
- » If not, start saving more in your employer retirement account
- » Put away funds for large required purchases or personal investments (college professional certifications, car to go to work, etc.)



PHASE 6

Save more for retirement

- » Calculate your savings rate, you should be saving at least 15% of your pre-tax income
- » Max out your employer's retirement plan
- » If self-employed, contribute to a solo 401(k), SEP or SIMPLE IRA plan
- » Contribute savings above what's allowed in a retirement account to a taxable investment account



PHASE 7

Save for other goals and consider early retirement

- » Max out a health savings account, if available to you
- » Save for children's education (remember, your retirement comes first, your kids can take out loans for school, you can't take out loans for retirement)
- » Save for specific large purchases (down payment on a home, vacation fund, wedding, etc.)
- » Or consider early retirement!

