UBS

5 steps to a secure financial future

You're on the rise—make sure your wealth is, too

1. **Build up your savings and emergency fund.** Set aside cash in an emergency fund you can access easily to cover roughly six months of expenses. That way, you're ready for unexpected events, like a temporary job loss. Also, start setting aside cash for large expenses planned for three – five years from now, like buying a new car, an expensive trip or a wedding.

Tips

- Set up an automatic monthly direct deposit to a savings account.
- Not all savings options are equal. CDs, short-term bonds and specialized savings accounts will often earn you more than traditional savings accounts.

Read up on emergency funds here

2. **Invest—don't sit on the sidelines.** While cash is good to have on hand for short-term expenses, historically, inflation outpaces cash. That means your money won't purchase as much in the future as it does today. Once you have enough cash to cover your emergency fund and upcoming large expenses, put excess cash to work for you by investing, which can earn you more than holding it in savings.
   - **Start investing early!** Then, you've got some of the best investor allies on your side—time and compounding. By "time," we mean that when you start early your money spends more time in the market growing. In addition to potential returns, "compound interest" takes root—meaning you start earning interest on interest. These two factors help your money grow faster.
   - **Know your options: stocks, bonds, mutual funds, ETFs**. There are many ways to invest, and all have advantages, depending on your circumstances and the current market. A financial advisor can help you determine which are smart options for you.

Tips

- If you don't have a specific goal right now, a good rule of thumb is to invest according to the same principles you're following for your retirement account. You can always adjust your portfolio if your plans change.
- Diversifying your holdings helps protect you against market ups and downs. That means being sure you're invested in different investment vehicles, industries and regions.
- Stay invested, even in downturns. Historically, markets recover, and you don't want to miss the opportunity to earn back what you may have lost.

What's the difference between putting money in a retirement plan and investing it another way?

When you put money in a retirement plan, you're setting it aside specifically for your retirement. In most cases, there's a limit to how much you can contribute each year, and you're penalized if you take out money before a certain age. On the flip side, there can be tax advantages with retirement plans. When you contribute pre-tax dollars, you're taxed when you take money out, but usually at a lower rate because you will probably make less in retirement than during career years. You can also contribute after-tax dollars to a retirement plan. In that case, you won't pay any tax when you take money out.

With investing, you have more flexibility to invest as much as you want, and you can take money out of the market any time. This can help you take advantage of market opportunities more easily and pursue the financial goals you have before retirement. You will pay taxes on gains. On the flip side, you may be able to deduct any losses.

3. **Take advantage of company benefits.** Most companies today offer ways to save and protect yourself in case of emergency. Here's what to look for when open enrollment time comes around.
   - **401(k): Go for the match.** This is a major one. Most companies will match your contribution dollar for dollar. That's a 100% return right there. Better yet, contribute the max every year. That way, you are doing everything you can to save for the retirement you have in mind. Learn more.
   - **Health Savings Account (HSA): 3-time winner.** This is a triple tax-advantaged investment option. Set aside pre-tax dollars in an HSA to cover medical expenses. You can carry the balance over every year, so it grows tax free. Learn more.
   - **Health insurance—Stay well, and on budget.** Compare your company's health plans and find the right one for you. With some plans, you pay less per month, but more out of pocket for your medical visits. With other plans, you pay more per month, but pay less for your visits. Have a family? Check with your partner to see if it's cheaper to cover the whole family through one plan, or split coverage with your partner's employer plan.
   - **Other types of insurance: Added protection (and peace of mind).** Don't overlook long-term disability insurance, life insurance and other types of insurance your company may offer. Often, for just a few dollars a paycheck, you can give yourself a lot of peace of mind. Learn more.

Tip

– Take advantage of your company's benefits materials and seminars to be sure you know (and understand) the benefits you have coming to you.

4. **Spend (and borrow) smartly.** There's such a thing as good debt and bad debt. "Good debt" is when you borrow to fund something that will appreciate, meaning it will lead to higher net worth or grow in value, like school loans and mortgages. Appreciation offsets the interest you're paying. "Bad debt" is borrowing to fund something that will depreciate—or lose value over time. With bad debt, the item becomes more expensive for two reasons. You're paying interest, while at the same time, the item is losing value.
   - **Credit score makes a difference.** A strong credit score will mean you'll pay less for the money you borrow. The higher your score, the lower the interest rate.

Did you know?

Carrying balances above 30% of your credit limit can hurt your score. Find more tips and common pitfalls here.

5. **Make your intentions known—keep your paperwork up to date.** In case of emergency, make sure your family, friends and doctors know your wishes.
   - **Keep beneficiaries on file.** Every savings account, investment and insurance policy allows you to designate beneficiaries.
   - **Establish a healthcare proxy.** This document appoints someone you trust to make medical decisions on your behalf if you are unable to.
   - **File a will.** A will is the best way to pass on your value—even if you do not have children.

You don't have to go it alone. We're here to help.

A UBS Financial Advisor can help you make smart decisions every step of the way. No matter what life (or the market) brings.