Your money, your future

Managing your credit and debt

Are you confident you're saving enough for your future?

No matter where you are in life, good money management skills can put you on the path toward achieving your goals. Keep reading to learn more.

Assess your current financial situation
Before you can identify the steps to save and manage your money effectively, take stock of your personal finances. Review the amounts you owe—on student loans, car loans, mortgages, credit card debts, etc. Look at how much you're saving and the balances in your accounts. Are you confident you're saving enough for your future?

Make a plan and set goals
Setting goals and developing a strategy to reach those goals helps you make the most of the money you have. Here's how to go about it.

Organize your goals into short-, intermediate and long-term goals. Short-term goals are the things you'll need money for in the next few years like a new car. Long-term goals are financial needs that are far in the future—retirement is an example. Intermediate goals fall somewhere in between. The key is to prioritize your goals and make trade-offs when necessary.

Starting to save and invest early makes it easier to meet financial goals. Over time, even small amounts of money can grow into a sizable nest egg.

Use the power of compounding
The sooner you start to save and invest, the more you can potentially benefit from compounding. See the example below to see how compounding works.

The power of an extra $10*

	Weekly contribution	
	$10	**$10, plus an extra $10**
5 years	$3,102	$6,205
10 years	$7,500	$15,001
20 years	$22,573	$45,147
30 years	$52,865	$105,731
40 years	$113,742	$227,484

Source: NPI.

Make savings automatic
Your employer's retirement plan comes with built-in benefits. The amount you want to save can be taken out directly from your paycheck and deposited in your plan account. The savings and your tax advantages are automatic. Plans typically offer a range of investment choices so you can manage risk by diversifying your savings. As useful as the diversification strategy is, understand that it does not ensure a profit or protect against losses in a declining market. There are always risks associated with investing in securities.

Controlling credit and debt
The benefits of paying off any credit card debt can be huge. Use these strategies to get ahead of your debt:
– Pay more than the minimum amount due
– Pay bills on time by scheduling online bill payments
– Pay off cards with higher rates first
– Don't carry cards with you
– Save up for larger purchases instead of using a credit card

Establish a fund for unanticipated costs
It's a good idea to have a plan in place to pay for unanticipated costs. If you have no emergency savings, it may take a while to accumulate funds. Most experts recommend having enough money to cover up to a year's worth of expenses.

Have a spending plan
You should know exactly where your money is going. Write down or use a phone app to track your expenses. Expenses typically fall into three categories:
– Fixed expenses such as mortgage or rent, taxes, insurance, auto and other loans
– Variable expenses including utility and phone bills, groceries, credit card charges and other such expenses
– Discretionary expenses such as dining out, cable TV, vacations, gym membership, etc. You have the most control over this category.

Know your income
Your income includes wages and bonuses from your job and other sources such as rental properties, business or investments. Track your income over several months to account for any variations.

Watch your cash flow
If you're spending less than your income your cash flow is positive. Still, look for places to trim your spending to save more. If you're spending more than you're earning, you have a negative cash flow and should reduce your spending. It's well worth it to control your spending and increase your savings.

Build a budget
Your budget should reflect your current income and expenses. Account for your fixed expenses first and then plan for variable expenses. Also set aside money for expenses that are paid sporadically, such as taxes and insurance. Assign a category to saving for your future. Make your budget realistic and flexible. The money needed in each category may change over time. You might pay off your car loan, for example. Reviewing your budget periodically will allow you to reflect new amounts or new categories.

Put what you've learned to work
Now that you have a better understanding of how to manage your money, it's time to take charge of your finances and put yourself in a position to achieve your goals.

* These are hypothetical examples involving participants who consistently make weekly contributions over various time periods and earn a 7% average annual investment return (compounded monthly). The illustration does not represent any specific investment product offered by your plan and does not include any investment fees and expenses. Your investment returns will differ, and it is unlikely that your contribution amount will remain the same over a long period. Pretax contributions and related plan earnings will be subject to ordinary income taxes and a possible early withdrawal penalty upon distribution.