



Your Game Plan for Building Wealth

\$ Priority 1: Make sure that income exceeds expenses by either increasing income or reducing spending if needed. This is the first and most important rule of savings.

\$ Priority 2: Build an emergency fund. If the saver has high cost credit, such as credit card debt, the emergency fund may be equal to 1 - 2 months net earnings. If high cost credit has been paid off, the emergency fund may be built to 3 - 6 months net earnings plus savings for any large purchases planned in the short term future.

\$ Priority 3: Pay off high cost debt. Stretching credit card payments out by paying only the minimum payment can result in thousands of dollars lost to interest over the years to payoff. In addition, you've lost the opportunity to invest the money you've paid in interest and see it grow over the years.

\$ Priority 4: Purchase a home. Most Americans build wealth through home equity. Investment in a home grows through payment on the principal of the mortgage as well as increase in the value of the property. Well chosen real estate property is expected to increase a minimum of 3% per year.

\$ Priority 5: Maximize contributions to tax-protected savings. These may be 401-K, 403b, or 457 accounts for employees, or Keogh, SEP, or SIMPLE accounts for those who are self-employed. Depending on tax bracket, savers may realize up to 39% savings increases by tax-deferring savings dollars. Although Roth IRAs are purchased with after-tax dollars, their interest grows tax free.

\$ Priority 6: Develop specialized investments to meet pre-retirement financial goals. Pre-retirement financial goals may include home purchase, education plans, meeting family needs and achieving lifestyle goals. Balancing pre-tax and after-tax savings is important to financial security both before and after retirement.