Financial Priorities Checklist

With countless financial vehicles available, it can be difficult to identify where to start. While each individual's situation is unique, many general principles can be applied. Whether you are managing debt, planning for retirement, or just starting out, these guidelines can help you stave off analysis paralysis and start moving forward on a path to financial security. If you're ready for an additional level of detail, consider talking with a financial advisor about how to put your goals within reach.

1. Take advantage of retirement incentives

If your company offers matching contributions (even up to a certain amount like 50%), make sure you are maximizing this resource to the best of your ability. Why prioritize this over everything else? A full match equates to a guaranteed 100% return on your investment. Additionally, with the tax advantages offered by retirement accounts, this benefit will continue to accelerate over time.

Take the time to understand the benefits available to you, and the conditions attached to them. For example, do the company contributions rely on a vesting schedule that requires you to remain with the organization for a certain number of years before they are guaranteed? Talk with your Human Resources representative or a financial advisor to make sure you aren't leaving anything on the table.

2. Tackle high-interest debt like credit cards

With the exception of the 100% return above, the interest rate on credit cards and other short-term debt will eat up your resources faster than any other vehicle can reliably generate them. Prioritize paying down outstanding balances with the goal of getting to the point where you can pay off your bills in full every month. The advantages will not only be in the interest payments you save, but in the credit you build.

3. Establish a baseline of savings

Once you are on a path towards debt reduction, consider setting aside funds every month to build a short-term savings cushion. Having 3 to 6 months' worth of expenses available can help you weather unexpected changes in income and outflow. Even if that goal seems lofty at the moment, building up a few hundred dollars can help prevent a surprise medical bill, speeding ticket, or repair cost from starting another cycle of debt. These funds should be held in an easily-accessible, low-risk vehicle that generates a modest amount of interest, like a savings account.

4. Focus on addressing long-term debt

As you move down this list, these items increasingly shift from a first-things-first approach to a mix of priorities that change over time. It isn't necessary (or advisable) to completely eliminate your long-term debt, such as student loans, car payments, and mortgages, before thinking about savings and investing. However, making payments on time is critical to avoid additional charges and impacts to your credit score. Paying down principal can accelerate your timeline to focus on building towards other goals.

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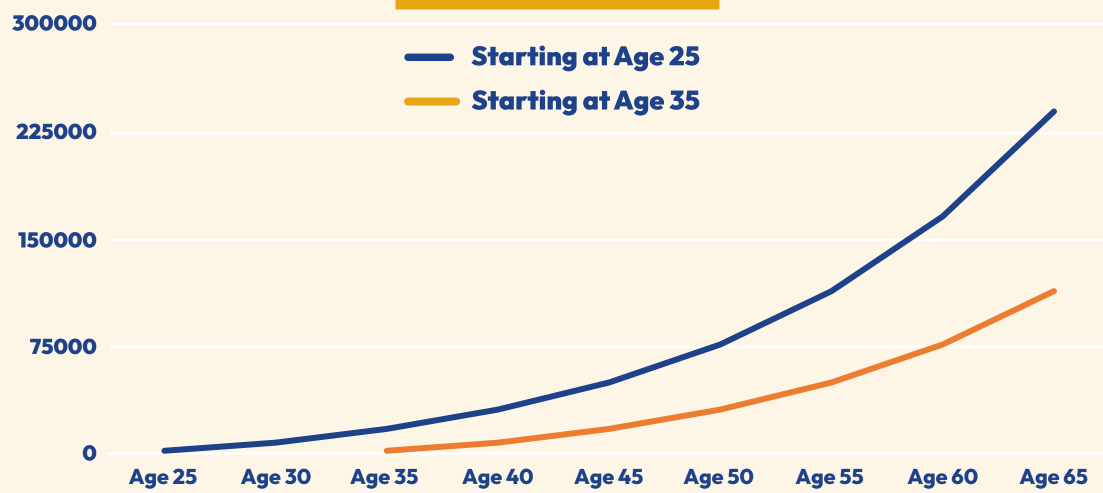
5. Contribute to tax-advantaged accounts

Retirement may seem like a faraway prospect, but contributing now to a 401k or IRA will allow your investment to grow tax-deferred. Starting early makes all the difference. Consider two individuals who each contribute $100 per month to a 401K: One starts investing at age 25. By age 65, they could be looking at an account balance of almost $250,000, assuming a 7% rate of return. The second gets started at age 35. Even though they only contributed $12,000 less, their account balance at age 65 would be less than $120,000 in this scenario. That means the money set aside in the first ten years generated more value than the money set aside over the next 30 years combined.

EARLY BIRD	
Starts investing $100 per month	**Age 25**
Total contributions before age 65	**$ 48,000**
Total account balance at age 65	**$248,552**
Rate of return	**7%**

LATE BLOOMER	
Starts investing $100 per month	**Age 35**
Total contributions before age 65	**$36,000**
Total account balance at age 65	**$117,606**
Rate of return	**7%**

ACCOUNT VALUE



6. Save for short- and long-term goals

With obligations accounted for and a long-term baseline set up through retirement accounts, you can focus on goal-based saving. Whether that means a more robust emergency fund, a big purchase like a house or a car, or that dream vacation you can't stop picturing, the right savings strategy can help you get from planning to execution. For a goal that is more than five years away, using a brokerage account to take advantage of the greater potential for returns offered by the stock market may make sense for you. If you're closer to a major purchase, lower-risk vehicles like bonds, certificates of deposit, and money market funds will reduce the impact of any market downturns on your plans. A financial advisor can help you put together a plan to make the best use of your assets and ensure you have the flexibility to achieve your goals.

The Financial Priorities Checklist is for educational and informational purposes only and does not constitute a recommendation. Any rate of return used in this Checklist is for illustration purposes and is hypothetical. The use of a return does not imply any promise, representation or guarantee about the rate of return an investor may actually realize. The guidelines are not necessarily suitable for everyone. To learn more about the guidelines and strategies mentioned and whether they are appropriate for you, consult a financial advisor with SPC Financial, Inc.