

Good Financial Habits

to Keep You Debt-Free



1 Be mindful of spending. Whether you want to lower your debt or pay it off altogether, it's crucial to be conscious of what you spend. Track your expenses to help you see where money is going.

2 Create and stick to a budget. Create a realistic budget that includes all of your normal monthly expenses. Remember any additional payments you plan to make toward paying down your debt.

3 Pay off one debt at a time. Although you may be in a hurry to pay off your debt, the process takes time. Focus on paying down one debt at a time until it is paid off completely. Not only will this keep you motivated to stay on track, it'll also help you tackle your debt in a sustainable way.

4 Continue building your emergency savings. While you're paying down your debt, continue to save money in your emergency fund. Make sure the amount you set aside allows you to comfortably stay on track with your total spending. Include it as a line item in your budget so you treat it as another expense to pay.

5 Keep contributing to your retirement. If money is tight, consider only temporarily reducing your contribution and look for additional ways to make budget cuts. Make it a goal to increase your retirement funding as soon as you're able.

How to create a budget

A budget is a tool that allows you to plan your spending each month based on your income and current expenses. Creating a budget is a good exercise that provides insight about your spending habits. It may motivate you to make changes and provide guidance for future spending.

- 1. Gather all of your financial statements together,** including bank and investment statements, utilities, etc.
- 2. List all of your fixed expenses** (e.g., debt payments, mortgage and/or rent, utilities). These are expenses you have to pay each month.
- 3. List all of your irregular expenses** (e.g., car maintenance, insurance if paid annually). These are expenses that are due throughout the year.
- 4. List your discretionary expenses** (e.g., the daily coffee run)
- 5. A, B, C your expenses.** A's are needs, B's are needs you can be more efficient with and C's are wants.
- 6. Total your expenses and compare them to your net income.** If your expenses are more than your income, review your B and C expenses and find ways to reduce your spending. If your expenses are less than your income, congratulations! Continue to find ways to save on your B and C expenses. This will give you more money to invest or save for a rainy day.
- 7. Review your budget regularly.** Track your actual income versus expenses and examine them on a monthly basis. You'll see how well you're doing, which may make you more motivated to keep up the good work!