WealthPlan Advisors
INVESTMENT & RETIREMENT PLAN CONSULTING

PARTICIPANT NEWSLETTER

Save Smart. Retire Smart. / Vol. 9 / January, 2020

From all of us at WealthPlan Advisors,

Happy New Year

HOW TO PAYCHECK YOURSELF

So, you've received a bonus? Do yourself a happy dance but don't spend it all in one place. Fifty-one percent of people will say they would put a sudden influx of money right into their savings account. Forty-one percent of people would use the funds to pay their debt down. There are a lot of things you can do with an influx of money when it hits - here's how to be smarter about how you delegate:

1. Don't debt yourself: Debt can drain your earning power, especially when it's eating into a big chunk of your paycheck! Your money will pack the biggest punch if you put it toward whatever balance has the highest interest rate. Afterall, this is the one that is costing you the most!

2. Beef up your emergency funds: It's all in the name. An emergency is your 'oh no' safety net to help with things like losing your job or a major bill from your mechanic. If you can store away three to six months worth of take-home pay, that is the ultimate goal! Run into some unexpected funds? Meet a painless way to top off your emergency fund (or get one started)!

3. Get invested: If you're in good shape debt-wise and your emergency fund is pretty solid, it's time to grow your extra cash over the long haul. We're talking about investing and it's a pretty hands-off way to build your wealth. Here's what it could look like: if you put $1,000 a year into a Roth IRA for the next 30 years, you'll have $101,000 waiting for you on the other side (assuming a reasonable 7% annual return rate). Your 401(k) is another place to funnel a surplus of cash, especially if your employer will match any portion of what you kick in. Yes, please!

4. Give yourself the VIP treatment (almost): It's more than okay to spend part of a cash windfall on yourself. Do a careful audit of experiences you've been meaning to try or things that really make you happy. Then, earmark a portion of your surprise earnings for exactly those things. How much you set aside depends on your financial situation. More, if your debt and savings are looking good; less, if you've got work to do. It's all about balance. If you

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go too hard on tightening your budget, you're bound to feel deprived, making you way more likely to bust your budget.

To learn more, please visit: https://www.theskimm.com/money/how-to-paycheck-yourself

HOW TO SAVE MORE MONEY, FASTER!

"Work smarter, not harder' doesn't just apply to your work to-do list. Learning a few science-backed tricks can also help you pick up the pace on your savings goals.

Start by putting your savings on autopilot. This is one of the best things you can do for your money. Remember learning that "an object at rest stays at rest" in high school physics class? That's the natural tendency to keep things status quo. It's why you keep getting billed for that subscription you don't use after your free trial ended and why you're less likely to stop saving after creating automatic transfers from checking to savings on payday. Here are some tips and tricks:

NICKNAME YOUR SAVINGS ACCOUNT: Naming your savings account helps you establich an emotional connection to your goal. An emotional connection is the key to making progress.

GO BIG: If cash is always burning a hole in your pocket, try swapping out your $1s and $5s for $20s. Research says you're less likely to spend bigger denominations than smaller ones.

REPLACE A BAD HABIT WITH A GOOD ONE: Bad habits usually make us feel good. So, instead of cutting expensive habits cold turkey, create a new, better-for-you habit that also makes you happy. Experts call this technique 'substitution.' Think: every time you say 'no' to takeout, reward your savings account with a $5 deposit.

LET'S GET VISUAL: Psychologists have found that just imagining yourself hitting your goals can help you turn them into reality. Make a vision board or tape a picture of your dream vacation spot to the back of your credit card. That way, you're reminded of what you're saving for each time you pull out your wallet.

Cinderella's Castle at Walt Disney World, Orlando, FL

DON'T TOUCH THIS: If shopping is your savings "kryptonite," try keeping your hands to yourself at the store. Research has shown that simply holding a product increases your likelihood of buying it.

PHONE A FRIEND: Researchers say buddying up with someone else who's working on a similar goal can help you reach yours. Cheer each other on or make it a competition to see who can save more.

When it comes to making smart money moves, mindset is everything. So, if it feels like the grass is growing faster than your savings, get your mind right with some habits that can help you get where you're going a whole lot faster.

To learn more, please visit: https://www.theskimm.com/money/save-more-money?utm_source=DS&utm_medium=customSkimmMoney10.23

HOW TO '50/20/30' YOUR BUDGET

Making a budget is a lot like going to the dentist: not fun, but usually less painful than your nightmares make it seem and the more consistent you are, the less likely you'll have (financial) health problems later. Meet the 50/20/30 rule: a straightfoward and pretty easy way to start budgeting.

Start by looking up your take-home pay, or the amount that hits your bank account on payday. Add up how much you bring in each month. That's what you've got to work with. Next, make a list of your regular monthly expenses. If you need a cheat sheet, look up old bank and credit card statements.

Sort all of your expenses into three categories: needs, wants and future goals. The 50/20/30 budget says the ideal breakdown is this:

- **50%** of your money goes toward basic needs
- **20%** is for money you can use to pay for retirement and other big life goals
- **30%** goes toward everything else

Let's start with the 50%. These are your bare-minimum expenses that keep the lights on in your life, literally, because utility bills are in this category. Other things in this category are:

- Rent or mortgage
- Basic groceries
- Insurance
- Gas and/or public transportation costs
- Phone and Internet
- Minimum debt payments

What about the 'goals' category? Giving this part of your budget some love might feel like a sacrifice now, but 'future you' will be glad you did. Your 20% should include saving for emergencies, investing for retirement and money for other life goals (like buying a home one day or going on a dream vacation).

You can spend the last 30% of your take-home pay on things like concert tickets or subscription boxes for yourself. Think of this as the 'upgrade' category. Groceries are a need but eating out is a want. Replacing your winter coat is a basic need but extra clothes shopping falls into this bucket too.

If the expenses don't seem to fit into these categories, you've got two options. If you're spending more than half your take-home pay on needs, one option is to cut back. Pro tip: Call up your phone or cable company and ask for the 'retentions department.' They've got the power to actually give you a discount if you threaten to cancel your service.

The other option is to 'borrow' some cash from your 'wants' category, which is more flexible. Try to keep 'goals' at 20% or at least work toward getting there.

The 50/20/30 ruls takes the sting out of budgeting and doesn't make you track every single dollar. One way to keep yourself on track is by automating the 20% piece: set up transfers from checking to savings or your credit card bill on payday.

To learn more, please visit https://www.theskimm.com/money/50-20-30-budget