FINANCE

HEALTH HUB JULY 2024

WHERE TO START

Feeling confused and lost in the world of finances? You are not alone.

WHAT DOES THAT MEAN?

HSA, 401K, IRA, 529. Your investing questions answered

GROWING WEALTH 101

Get back to the basics and learn where to start and what some of the jargon means, when it comes to your money, your retirement and investing.

HEALTHY LIFESTYLES
EXPLORE WELLNESS
ESTD-1990

PERSONAL FINANCE: WHERE TO START

Wouldn't it be amazing if our money worked for us?

Regardless of its virtues and evils, money is an unfortunate daily requirement. And most of us have heard the mantras of *"Work smarter, not harder," "Make your money work for you."* and *"Time is Money."* But we do not know where to start regarding our own money. Our goal today is to break down these sayings and teach you some basics on personal finance and wealth growth.

Now please remember, we are not finance experts, and just like how we always advise you to speak to your physician when it comes to your health, we also counsel you to speak with a financial expert when making personal decisions about your wealth. That being said, we want to provide you with some tips and knowledge so when you speak with a financial advisor you will have a plan and goals ready to go and to discuss. My information comes from a few locations including (but not limited to) Mountain America Credit Union workshops and articles, Financial Feminist Podcast, FDIC and IRS websites and more.

We also recognize that every person is different, and at different stages of life, so please take what you read with a grain of salt. This information may be new to some and old to others. Our recommendations may work for you or they may not. Once again this article is just meant to help you lay a foundation and further your understanding. So let's get into it.

WORK SMARTER NOT HARDER

Step 1: Emergency Fund

Have an emergency fund. When it comes to recommendations and steps to get started, the most common recommendation, and most commonly ignored, is to have an emergency fund.

This fund should be (at a minimum) three months of your monthly expenses. This means you should have enough money to pay the following: Mortgage or rent, utilities (water, electric, gas), costs for getting to and from work and other required locations (including gas, insurance, and loan payments), phone and Wi-Fi bills and food and necessities.

Other costs such as self-care, streaming services, and other expenses that can be canceled or are unnecessary, especially when facing unemployment or an emergency do not need to be included.

The next thing to think about is where to store this fund. Current recommendations are in a high-yield savings account. (HYSA).

HYSAs are free to open and free to have. You can open them with as little as $1. The reason why you want to store your emergency fund in a HYSA is because the average savings account earns .03% interest. Where as HYSAs earn anywhere between 4-5% interest, depending on the account. This means you are working smarter not harder. And your money is making money by simply sitting in an HSYA.

We recommend setting up a direct deposit that takes a specific amount every month from your checking account or your paycheck and depositing it into this account. This will help make your life easier by automatically moving the funds for you each month, week, or pay period (whatever works best for you). This requires less brain power when it comes to budgeting and more self-control because the money is not even in your spending account.

Remember, the goal with the emergency fund is to work smarter, not harder and to be prepared for when the rainy day when it hits.

**Reminder: This emergency fund needs to be evaluated at least once a year to account for things like a new family member, inflation, rent increases, etc. Always make sure your emergency has enough funds for your essentials. **

MAKE YOUR MONEY WORK FOR YOU

Step 2: Clear your Debt
At the end of 2022 credit card debt was at all time high in the United States, totaling $986 billion.

The amount of credit card debt depends on several individual factors but here are the averages based on age.

AVERAGE CREDIT CARD DEBT IN THE US BY GENERATION

	Q3 2023
Gen Z 18-26	$3,262
Millennials 27-42	$6,521
Gen X 43-58	$9,123
Baby Boomers 59-77	$6,642
Silent Generation 78+	$3,412

Credit: Experian and CNBC

This means that you are not alone. The majority of Americans hold credit card debt. However, it does mean that you are simply working for your money. Instead of enjoying less stress and more freedom with your money, you are being held hostage by the same thing holding most Americans. Debt. Specifically Credit Card Debt.

Now when we say clear your debt. We do not mean things like car loans, student loans, or mortgages. These types of loans and debts usually have lower interest rates (somewhere between 2-7%) and have specified, unchanging, monthly payments that can be budgeted for.

When we say clear your debt, we mostly mean credit card debt or other loans with interest rates above 7%. This is because these kinds of debts hold you and your credit hostage, as well as when it comes to investing and saving for your future the average gain is 6-8%, so we want to be free of any debt above that before we let our money start working for us through investments.

Now when looking at all your debt, it can feel scary to figure out where to begin and there are so many opinions and ideas on how to do it. We are not here to tell you the how, and highly recommend talking to a financial advisor when it comes to this topic. But after lots and lots of research, the most common and agreed-upon method of getting rid of credit card debt is to first consolidate all your debt into one place. After your debt is all in one place, you want to start making payments that are more than the monthly minimum to get rid of that debt faster.

This is where having that emergency fund already set up and ready can be super helpful. Because you are already use to depositing money into an account and not thinking about it. Once that emergency fund is set up, you can now add that money to paying off your credit card debt.

After you pay off all that high interest debt, you are ready to start investing.

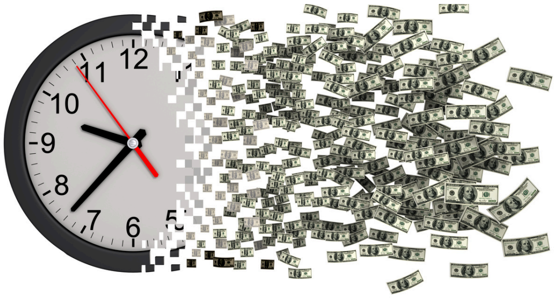
TIME IS MONEY

Step 3: Investing

Investing is a way to invest in yourself, and your future and to give yourself peace of mind. Remember, there are no retirement loans, and you only have 30-40 years to save for the last 30 years of your life. The way you do that, at least the easiest and most economical way to do that is through the power of investing.

However, we know that investing can be scary and there are so many factors and unknowns but hopefully, we can help a little.

The most important thing to remember is that when it comes to investing, time is money. You do not need hundreds or thousands to start investing, you need $25 or maybe $50 to get started. And the longer that $25, sits in an investment, the more money it is going to make. Remember time IS money.



Where do I invest?

Well, there are several different types of investment accounts but here are the 4 main basic ones. (Once again, this is where we highly recommend you talk to a financial advisor but we will give you the basics.)

401K/403B

This is an employer-offered, tax benefited, investing fund. In this fund, you choose a percentage of your income to delegate to the fund, before taxes. Often employers will have a percentage match. Meaning if you delegate 3% of your income to your 401K, they will match that 3%. Because of this, this is the one investment fund we recommend having while working on steps 1 and 2. So if your company has an employer match, we encourage you to delegate the match amount to your 401K.

IRA (Roth or Traditional)

Individual Retirement Accounts (IRAs) are another tax benefited account. There are two types of IRAs. In traditional IRAs, you do not pay any taxes until withdrawal upon retirement. Roth IRAs you pay taxes when you put into the account but do not have to pay any taxes upon withdrawal. There are a lot of different factors at play when it comes to knowing which one to choose, such as your age, income, and retirement goals. So we recommend speaking with an expert if you are unsure.

Brokerage accounts

Brokerage accounts are accounts where you can buy, sell, and trade stocks, bonds, and funds. They are often low-cost or free to set up and maintain. However, they are not tax-exempt and are considered taxable income upon selling.

529

529s are investing accounts specific to education. These are often set up in your children's names and can only be used for things like college tuition, room and board at college, trade schools, books and supplies, and a few other specific things. It is a way to help your kids get a leg up, by diminishing the amount of student loans they will require for post-secondary education. Each state is different when it comes to tax advantages, so look up your specific state's advantages.

But what if my child does not go to college or trade school?

Well, with a 529 you can simply move those funds to another beneficiary with no penalty or under a new provision roll the left over amount (up to $35,000) into a Roth IRA. So there are options, if you child chooses a different path.

What do I invest in?

The basic answer (and we are sticking with the basics) is stocks or bonds. Stocks are shares that give you partial ownership of a specific company. Stocks tend to be more lucrative but more risky. Bonds are micro-loans to a government, corporation, or municipality in exchange for regular interest payments. When the bond matures, the issuer pays back the original investment, plus interest. Bonds are less lucrative but more safe.

Then there are mutual or index funds, which are a mix of stocks and bonds. These are the most recommended to invest in because it's best to put eggs in multiple baskets.' So diversifying is key.

RESOURCES

Still lost or confused? We got you!
When it comes to our financial wellness, the most important thing we can do is get started. Simply start. We hoped to make starting a little less scary and give you the basics of financial investments and savings. But if that didn't help then maybe one of the resources below will help. Remember our goal here was to help you learn that you should "work smarter, not harder," and that your money should work for you. And last but not least remember that "time is money" and the longer you wait to get started on financial freedom and financial investing the more money you are losing. You've got this! But if you are still doubting, check out the resources below!

MOUNTAIN AMERICA RESOURCES

From free financial coaching (which you can earn points for, just visit here for the verification form), to workshops to articles, we have partnered with Mountain America Credit Union to provide a one stop shop to help answer all your questions and to get you started on your journey.

UTAH RETIREMENT SYSTEMS

Salt Lake County also partners with URS to help you plan and prepare for retirement. Visit their website to help you get started and create a retirement plan that fits with your long term goals.

PERKS AND SERVICES

The County also offers a variety of perks and services to help you save money and maintain your wellbeing. From discounted recreation passes, to tuition reimbursement and travel reimbursement. Make sure you are taking advantage of all of the perks to save money.