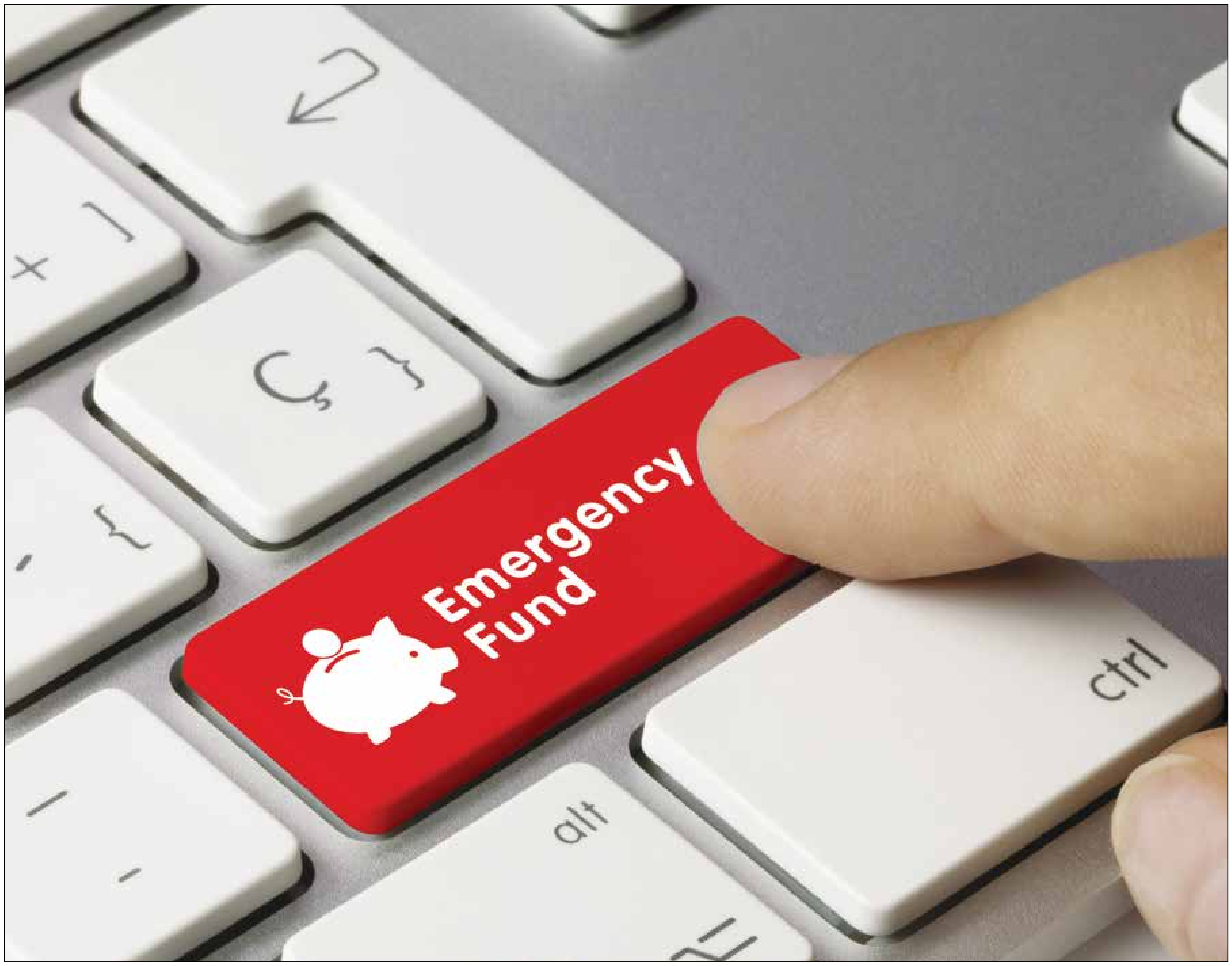

Personal
Finance

# Emergency-Proof Your Finances

The best way to protect your finances in times of trouble is through pre-planning.

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Disasters, whether in the form of storms, family crises or a larger economic issue, tend to arrive without warning. Making the right choices before there's an emergency can limit disruptions, help lower stress and give you a smoother pathway forward. Here are some planning strategies to help emergency-proof your checkbook.

## CREATE AN EMERGENCY FUND

Economies, by nature, are prone to booms and busts. Unfortunately, they will always be subject to downturns. We also can be impacted by sudden outside forces, like the banking crisis of 2008 or the pandemic of 2020. An important protection against financial hardship involves saving money to help bridge these cycles. The total amount varies depending on your costs, but a good rule of thumb for emergency funds is three to six months worth of expenses.

## EVALUATE YOUR FINANCES

Pay close attention to your general savings, investments, income and debt. These financial markers can make all of the difference in navigating through a sudden problem. If you feel like there's room for improvement, create a budget that takes into account how much you're making against what you are paying out through bills.

Find places to cut costs before it's a requirement, and those choices become more easily made.

## ORGANIZE YOUR DOCUMENTS

The impact of a natural disaster or family emergency can be unbearable; it gets worse still if disorganization creates new stress points as you try to move on. Organize important documents now, so you know just where to find them. Consider putting documents that are more difficult to replace — along with collectibles and other heirlooms — in a safety-deposit box. Keep things like passports and living wills with you, since you might not have immediate access to the deposit box.

## IMPROVE YOUR CREDIT SCORE

Lenders always favor the healthiest borrowers, and that's particularly true during difficult times. The higher your credit score, the better rates and terms you'll earn. If you can't establish the recommended three- to six-month emergency fund, or if the fund simply runs out during your emergency, you might need access to credit until you can emerge from an uncertain period.

## REVIEW YOUR INSURANCE

An essential part of any emergency planning, insurance coverage can create an umbrella of protection against difficult financial situations. If you don't have the right kind or amount, however, insurance can just as easily become another issue as you try to right your financial ship. Look into plans that will be of specific help during an emergency, like disability insurance to help replace lost income.

# Choosing a Credit Card

Even for careful budgeters who keep plenty of currency on hand, there are still times when cash simply isn't feasible as a method of payment.

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It also occasionally makes more financial sense to hold on to your dollars, rather than empty the reserves on a major purchase.

That's when a credit card comes in handy. Unfortunately, there's great financial risk in using these cards on a more regular basis, when there aren't extenuating circumstances or simply to cover everyday expenses. So, applying for the first credit card, looking for a better deal or re-entering the credit marketplace after some time away requires a careful eye.

Here are three major considerations to keep in mind before signing up for a new credit card.

## UNDERSTAND YOUR OWN NEEDS

Are you simply trying to establish credit? The financial reality today is that you need to have credit-based buying power in order to make larger purchasing decisions like a car or a house. Are you applying for credit for emergencies, when there's an unexpected repair or family expense? In both cases, it makes sense to explore credit options from major providers. They'll be familiar to those doing a credit check, and could potentially provide a higher credit limit to give you additional flexibility in times of need. If you're thinking smaller, signing up for a specific retailer's card will deepen an established business relationship while building your credit.

## LOOK FOR DEALS

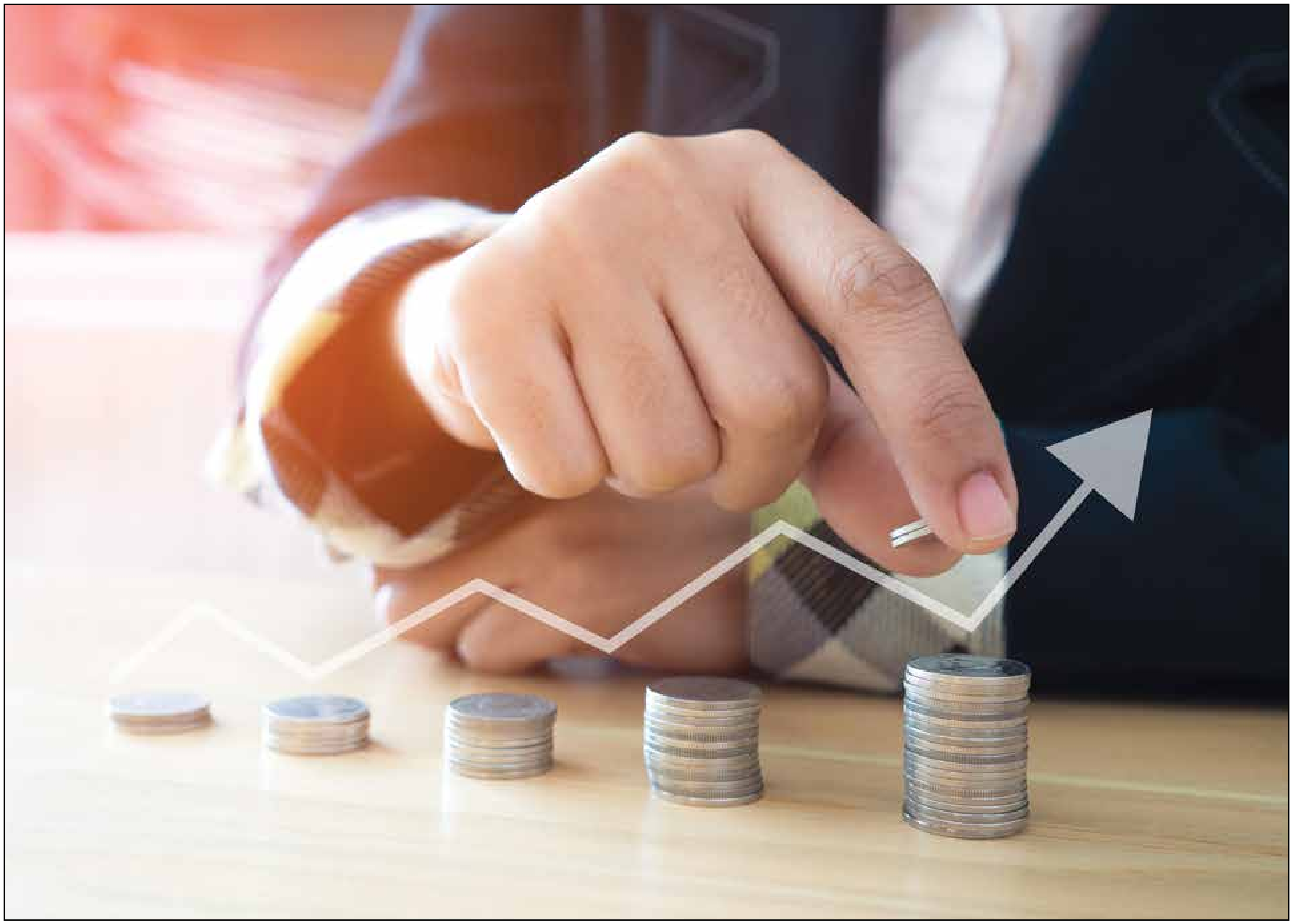
Those who often travel will use specific credit cards that offer frequent-flyer miles or other related discounts. This gives them an opportunity to charge for one trip while building bonus credit for future flights, hotel rooms or other amenities. Just be sure to keep the card paid off, so interest charges don't end up balancing out the freebies. There are also many cards which offer cash-back rewards, whether for total dollars spent or for buying specific items during a promotion. It's just another way you can get something back when you charge, providing a powerful incentive to choose a specific card.

## PAY IT OFF, EVERY TIME

Don't use a credit card unless you can pay it off in full each month. It that becomes impossible because of extenuating circumstances, make every effort to settle the bill over as few future payments as you can. The annual percentage rate associated with your card can quickly add unseen debt to your account, creating a situation where a small purchase ends up costing you lots and lots more.

Keep a close eye on the annual percentage rate when deciding on a new card, and avoid offers above 20%.

# Exploring High-Yield Accounts



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## Wouldn't it be great if you could keep your money safe, still have access when you need it, and make more in interest?

A high yield checking account or money-market account can help you accomplish all three objectives. You'll have to meet specific requirements in order to earn interest rates above the national average. Here's a look at what else is typically required, and an important warning for those who are new to these accounts.

### REQUIRED DIRECT DEPOSITS

You'll typically be asked to establish and maintain a monthly direct deposit into the account. If you don't set up a direct deposit within a specified time after opening the account, the bank might subject you to a monthly maintenance fee. You might also forfeit the higher interest rate that brought you to these high yield accounts in the first place.

### MINIMUM TRANSACTIONS

Banks can require that high yield checking account holders make a specific number of debit card transactions on a monthly basis, with a minimum number that must be met. The number of transactions, of course, vary depending on the bank, but they can be unnaturally inflated. If you don't make 10 or more transactions a month, this kind of account may not be right for you. Examine your own spending patterns before singing up for a high yield account, making sure you can meet whatever debit-card transactions might be required.

### KEEPING A CERTAIN BALANCE

High yield checking accounts and money-market accounts are usually paired with a minimum balance requirement. Some banks also limit the amount of money that earns the top interest rate. So, you might earn a rate above the national average on the first $25,000, but then a far lower interest rate on balances that exceed $25,000. Keep in mind, too, that the requirement for minimum balances on high yield accounts often far exceeds that of more traditional accounts.

### WHAT TO WATCH OUT FOR

These accounts are obviously attractive because of their high yields, offering people a chance to grow their money while keeping it safe from wider market fluctuations. But they promise interest rates above the national average with strings attached. If you fail to meet all of the bank's monthly requirements, they might pay far less interest than you were expecting — or nothing at all. Make sure you have reviewed all of the requirements outlined here, and feel confident you can meet them, before signing on the dotted line for a high yield checking account or money market account.

# Avoid Savings Mishaps

Oddly enough, there are wrong ways to save money.


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A well-stocked savings account shouldn't be paired with growing penalties from ignored bills. Failure to take advantage of high interest returns ultimately leads to unearned money, as well. Here's a look at common mistakes that keep people from saving money the right way.

## PUTTING AWAY TOO MUCH

Believe it or not, that nest egg can become too large too quickly. Don't save money to the exclusion of other important financial responsibilities. For instance, choosing to only make minimum payments in order to sock more cash away will lead to a balloon of debt — and, ironically enough, you might have to tap into your savings to get back in the black again. It's better to pay down debts with high interest rates as quickly as possible, then you can use ready cash to bolster your savings.

## GOING ON SPENDING FASTS

Some people participate in a so-called spending fast, where purchases are limited only to necessities for a period of time. In the short run, that provides a larger amount of every day cash that can be put toward savings. But, as with starving yourself to lose weight, these fasts can lead to binge buying later. It's more important to learn to manage a reasonable budget than it is to take short cuts that may lead to bigger setbacks. Change your spending more gradually — like say, skipping a meal at an expensive restaurant — for better long-term results.

## NOT EARNING ON SAVINGS

Shop around for the best offers, and you'll find a variety of ways to grow your savings. Banks often offer special deals when you open a new account, and there is an increasing number of promotions and discounts to bolster your earning potential. Ask about high interest rewards and competitive point systems, too.

## NO EMERGENCY FUND

Having a growing savings account isn't the only way to keep you and your family safe. In addition to this reserve, financial experts recommend a separate emergency fund in the event of a potentially life-altering event like job loss, unexpected medical bills and natural disasters. Keep three- to six-months of regular income separate from savings, and you'll be better prepared.

# Investing in Bonds


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One of the ways people make their money work harder is through investing, and buying corporate or government debt is a popular option for those looking for a steadier long-term investment.

Buying bonds along with stocks creates a sturdier, diversified portfolio. Here's a primer on investing in bonds.

### WHAT ARE BONDS?

Bonds are issued by governments or companies in order to offset expenses, including everything from a new project to day-to-day bills. Among the most common are U.S. Treasury and savings bonds, issued by the Department of the Treasury; municipal bonds are issued by government entities. The principal difference is in which are traded: Treasury bonds can be, while savings bonds can not. There is also a limit placed on the number of savings bonds any one person may purchase. Government bonds can be purchased through a broker or through Treasury Direct. They are issued in $100 increments.

### HOW THEY WORK

Remember that patience is a virtue with bonds, which are very safe but also take longer to pay out. Bond holders are entitled to a return on their investment, but only after a predetermined date when the bond matures. Before then, investors earn fixed interest which may arrive monthly, annually or semi-annually, depending on the bond. These interest rates are determined by the maturity date, as well as the issuer's credit rating.

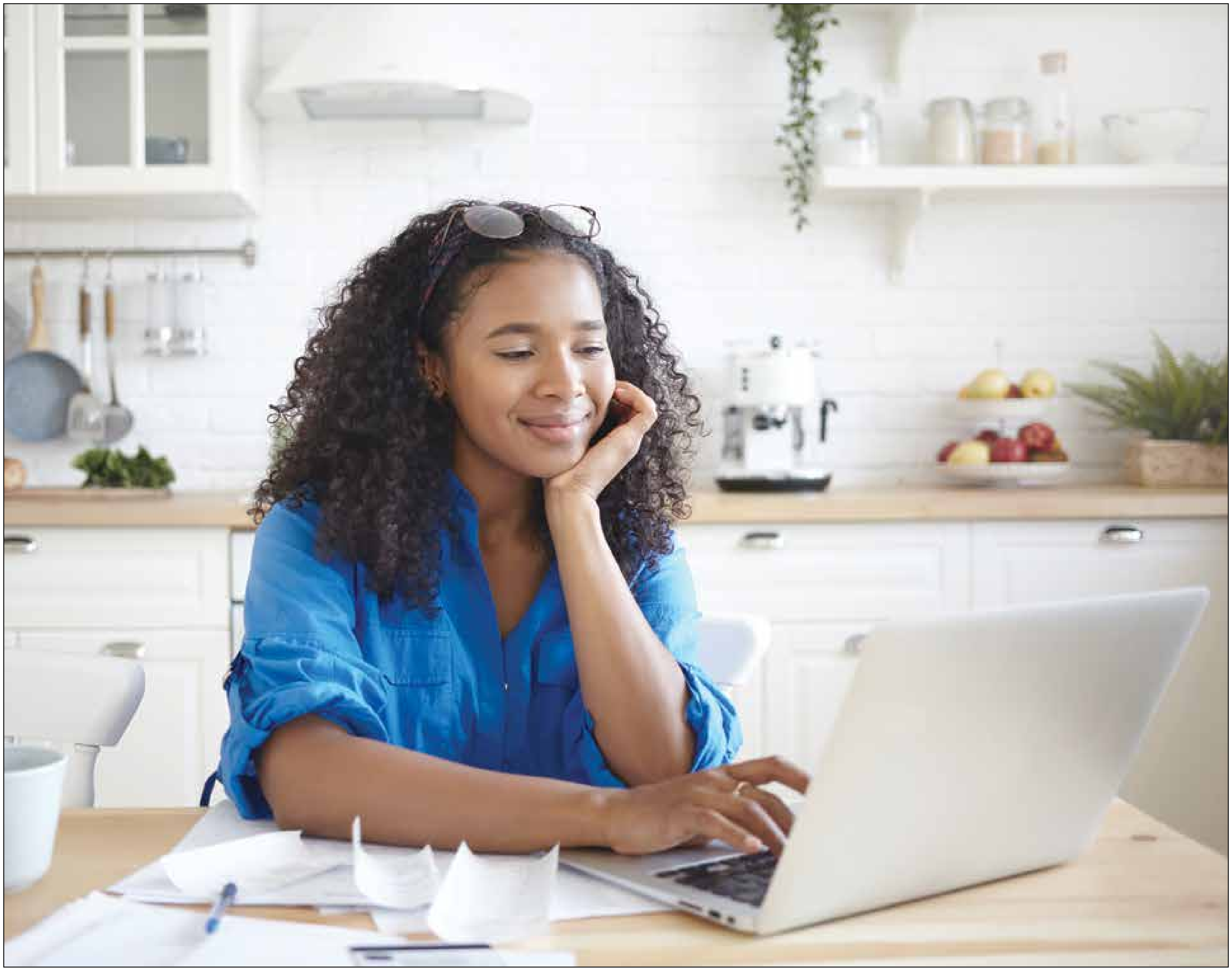
### RELY ON AN EXPERT

You should read the bond prospectus carefully, studying the fees and what type of bonds are part of the fund. But homework only takes you so far. Use a broker who specializes in the bond market. There are broker-recommendation services where you can learn more about their reputation, and how their commissions work. Talk to other investors, too.

### WHAT TO WATCH FOR

Unlike stocks, bonds are slow-growing investments, meant to build equity over a longer period of time. But not all bonds are created equal. So-called junk bonds can be a very risky investment. Unlike low-risk investment-grade versions, these bonds are issued by companies with unsatisfactory credit ratings. They issue junk bonds in order to raise capital without paying a high interest rate — and they don't always stick around for the long haul. So, like stocks, some bonds come with their own specific risks. It's worth discussing these options with a qualified investment advisor who can outline the risk before you invest.

# Paying Bills Online



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## Who hasn't forgotten to pay a bill, only to be hit with late fees?

This simple mistake can also do lasting damage to your credit. Today, you can use technology to ensure this never happens again by paying your bills online. Make sure your information is safe, then prepare to wave goodbye to late fees forever. Here's a look at online bill paying.

### GETTING STARTED

Every company has its own set of rules, but generally you'll want to gather your bills so that you can input account numbers and other pertinent details. If you using a catch-all bank-based account, enter your biller's information into the bill-pay platform. If you're scheduling payments through individual company accounts, have your billing address and other needed personal information handy.

### SET UP PAY SCHEDULE

Going online makes paying any bill so much easier, from one-time payments or scheduled monthly and annual installments. It's quicker than paying with an old-fashioned paper check, and can help you avoid fees associated with automated phone services. Bills can be scheduled on a regular cycle, and even far off into the future — ensuring that you don't forget to renew an annual subscription or address a tax bill. And they'll always be paid on time.

### ANALYZE YOUR SPENDING

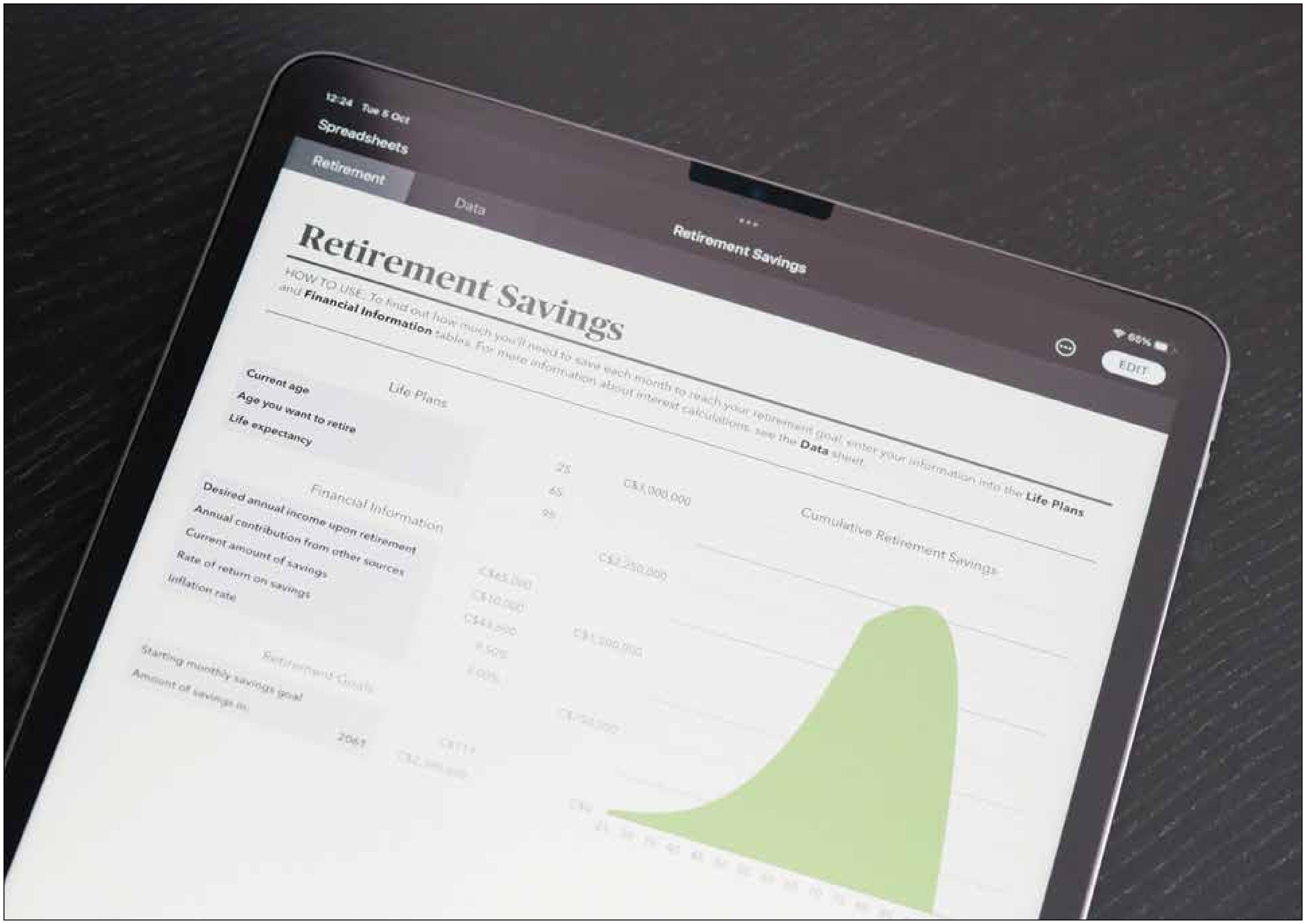
Automatically deducted payments help you avoid overdraft fees, and they can also help you maintain a budget. Many online bill-paying services provide tools so that you can track spending. This allows you to determine exactly where your money is going and when, providing vital information on how to cut expenses. You can also keep an eye out for increasing costs as they happen.

### REAL-TIME BENEFITS

Identity theft has become a pervasive issue in the internet age, as tens of millions of Americans fall prey to unwanted intrusions each year. Online bill-paying services will typically provide a notification system, either by email or text, that alerts users when payments have been made. They also offer updates on your available balance and on any suspicious transactions. Users can then quickly suspend accounts to limit the damage these hackers might do — a real-time benefit that has made a huge dent in losses due to identity theft.

# Updating Your Retirement Plan

**Making a smart plan for retirement will build a foundation to enjoy your golden years to the fullest.**

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That doesn't mean, however, that these plans are set in stone. On the contrary, it's often smart to go back and review your plan to make sure that it's adapted to your situation. Your needs may have changed, or outside forces might have had an impact in the meantime. Here's a look at some big issues that might require a update of your retirement plan.

### HOW LONG WILL RETIREMENT LAST?

Assuming that you'll only need some 15 years or so of income for retirement might have been standard in the past. But American are living longer, far more active lives today. Those who retire in their mid- to late-60s will likely need savings that last two decades — or longer. If your original plan doesn't cover this new normal, you might run out of funds. Contributing just $100 more a month to a 401(k) or IRA can make a big difference. Consult a qualified investment counselor, who can help guide you along.

### BIG SOCIAL SECURITY CONCERNS

For decades, people assumed that Social Security would provide whatever was needed in our old age. But this is another part of any retirement plan that you'll want to revisit, or risk coming up short on income. Social Security benefits now only replace some 40% of the average wage- earner's income. If you're an above-average earner, it will replace even less. More concerning, there's always the possibility that Social Security might be cut in the future. Some estimate that program trust funds might run out of cash as soon as the 2030s. Even if that doesn't happen, plan on providing supplemental funds to your retirement savings.

### INCREASING HEALTH CARE COSTS

You might figure that health care costs will drop once you're on Medicare. Instead, those bills can become far more difficult to manage. Seniors are expected to pay a variety of costs, even on Medicare, including deductibles, premiums and certain co-pays. There are also some critical services not covered by Medicare, including eye and dental. That's why, in some cases, these costs can run into the hundreds of thousands of dollars for seniors. Best to start putting money into something like a health savings account now in order to prepare for the eventuality of additional bills. Not everyone is eligible for these accounts, which determine eligibility based on enrollment in a high deductible health insurance plan. If you don't qualify, consider putting more into your 401(k) or IRA for health care needs in the future.