

Three Stops On the Road To Financial Stability

Achieving financial stability doesn't happen overnight — it takes a journey. And, as with every journey, you'll need to make some stops along the way. These stops, or milestones, can tell you how far you've gone — and where you need to go next.

Milestone 1: Build a foundation

When you're first starting on your financial journey — typically, when you are beginning your career — you'll want to build a foundation by acting on key issues, such as saving, paying down debts and investing for the future. Here are some suggestions:

- *Start your emergency fund.* Eventually, you'd like to have several months' worth of living expenses kept in a liquid, low-risk account to deal with unexpected costs, such as large medical bills or a major car repair. For now, though, at least try to put away a few hundred dollars or a month's worth of expenses. To make it easier, have some money moved automatically each month from a checking or savings account into your emergency fund.

- *Take your employer's match.* Contribute enough to your 401(k) and health savings account (HSA) to earn your employer's matching contribution, if one is offered.

- *Pay down your higher-rate debt.* Try to pay down as much high-interest, non-deductible debt as you can afford. If possible, refinance debt at lower interest rates.

Milestone 2: Gain a better foothold

Once you've got your financial foundation in place, and you're established in your career, consider these steps to gain an even better foothold:

- *Continue building your emergency fund.* Try to get at least a couple of months' expenses in this fund.

- *Put away more into your retirement accounts.* If you can, try to put anywhere

from 10% to 15% of your gross income into your 401(k) or similar employer-sponsored retirement plan.

- *Check your debt-to-income ratio.* Divide your monthly debt payments by your monthly gross income to calculate your debt-to-income ratio. If you're paying a mortgage, try to keep this ratio to 35% or less. Without a mortgage, try for 20% or less.

Milestone 3: Keep moving forward

As you move into your middle years — and beyond — it's time to further solidify your financial situation and keep making progress toward a comfortable retirement. These moves can help:

- *Maintain your emergency fund.* By now, you should be able to keep up to six months' worth of expenses in your emergency fund. A sizable emergency fund can help you if you need to switch jobs, and enable you to meet larger expenses without dipping into your long-term investments.

- *Review your retirement goals.* At this stage of your life, you should review your retirement goals regularly to determine whether you're still on track toward meeting them. If you aren't, you may need to adjust your investment strategies. Of course, your goals may have changed over time, and this, too, may require adjustments on your part. You may want to work with a financial professional who can suggest appropriate moves to help you on your way.

Reaching all these milestones will take diligence and commitment — but it will be worth the effort in helping you on your journey toward financial stability.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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