

Reach Your Financial Everest

Does reaching your savings goals seem like an impossible mountain to climb? It doesn't have to. While debt might make the climb seem even steeper, if you take it one step at a time, you can reach your financial summit. There is no one-size-fits-all approach to building up savings and managing debt, but here are some things to keep in mind:

DEBT DON'TS

Don't deplete your emergency fund. You need a savings cushion for unexpected situations such as car or house repairs or job loss. Try to save at least three months of living expenses.

Don't only pay the minimum. With the interest charges from unpaid debts, you'll probably never get out of debt this way. Pay as much money as possible toward your monthly payments—and pay on time.

Don't move money around to pay off debts. If you advance cash from one debt source to another just to make monthly payments, you will only dig yourself a deeper financial hole. If necessary, reach out to creditors to request temporary relief.

Don't ignore statements and credit reports. Review your statements when they arrive to make sure they're accurate. Also review your credit reports by looking at one of the three major credit reports every four months (get each report free once a year through AnnualCreditReport.com). Dispute any errors.

Don't take out a high-interest payday loan until your next paycheck. If you didn't have the money for that unexpected expense this paycheck, why would you have the money the next paycheck?

Try paying the highest-interest rate debt first, then work your way down to the lowest. Or pay off the debt that stresses you out the most. Or get rid of your smallest debt, and then pay off your other debts.

SAVINGS SUGGESTIONS

With a little thought and imagination, you can find ways to save without sacrifice. Can you call your insurance agent to ask about discounts? Drop cable and instead stream TV services such as Netflix, Hulu, or Amazon Prime? Or look for freebies (cashback credit cards, rewards programs, rebates, etc.)?

If reducing the amount of money going out isn't cutting it, look for ways to get more money coming in. Take a part-time job or sell something that's just taking up space in the closet.

Realize the difference between needs and wants. Our actual needs are pretty limited: food, shelter, basic clothing, etc. Just about everything else is a "want." Be mindful about spending rather than buying on autopilot. Wait 24 hours before making a purchase. Stay aware of your spending "hot buttons."

Take advantage of compound interest. Small amounts of money that you regularly save over time can really add up thanks to the multiplying interest.

Direct-deposit savings. Set up monthly automatic deductions from your checking account into an emergency savings fund or investment vehicle such as a 401(k) or IRA—before you have a chance to spend it.