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Decisions, Decisions

We've all faced tough decisions concerning whether to put money aside for savings or to pay down mounting bills. Making choices concerning where to allocate your household dollars can potentially make a difference in not only your retirement plan, but also in your day-to-day spending.

Decision 1: Pay down credit card balance or build a cash reserve?

This is a trick question because you really should do both. One way that you may be able to immediately make a difference in your credit card debt is to transfer any high interest credit card balances to a low or no interest credit card. By reducing the amount of interest that you are paying, you are able to pay more to the principle balance. Your cash reserve, or emergency fund, serves as financial cushion should you or your spouse ever lose your job. Ideally you should work towards saving six months of living expenses.

Decision 2: Allocate extra dollars to pay down your mortgage or save for retirement?

Save for retirement. The reasoning behind the decision to save more for retirement is that a paid-off house is a non-liquid asset meaning that you cannot take a piece of your home with you to the grocery store to pay for groceries. Also, if you do find that you need additional money for retirement, it may be more difficult to secure a mortgage on your free and clear home because you do not have any income.

Decision 3: Save for retirement or for the kid's college?

Again, here it may be best to save for your retirement. While it may seem like the loving or right thing to do for your children now, keep in mind that if you do not properly prepare for your own financial future, you may end up being a financial burden on them in the long run. One thing to consider when making this determination of what to save for first is the time value of money; because the money that you contribute to your retirement will more than likely have more time to potentially grow than what you contribute to your child's college fund, saving for retirement can yield the most bang for your buck.

Want to Assistance with Making Life's Difficult Financial Decisions?

As the Financial Advisors who help represent the participants in your company's retirement plan, we're here to help start or enhance your road to retirement! If you'd like to learn more about how Grinkmeyer Leonard Financial can help you, contact us today or visit us online at www.grinkmeyerleonard.com.



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