



5 Five Financial Habits To Help You *Stay On Track*

A lot of us have good intentions when it comes to planning for our retirement, but it's easy to get distracted and lose our way. Here are five financial habits that can help you stay on track and reach your goals.

1 Review Your Account

Each issue of *Contributions* accompanies your latest account statement. **Examine your statement to see how much you have accumulated and how your investments are performing.** But before you can determine if you're on track, you need to determine where you are going. How much do you need to have saved by the time you retire? How much do you need to set aside from each paycheck to reach that amount?

If you're like most investors, you'll need some help to answer those questions. The retirement calculators on your Participant Web site can help. Once you've set some basic goals, review your current contribution level and investment selections, and consider making adjustments if necessary.

2 Give Yourself An Audit

Take some time to examine your spending habits. Many people prefer to pay for things like groceries, clothing and other everyday expenses with debit or credit cards instead of cash, making it easy to lose track of their spending. **Scrutinize your expenses to see if there is something you can cut back on or eliminate** in order to reduce your monthly expenses. Then, increase your retirement plan contributions by that amount. The more you save now, the better chance you'll have at reaching your retirement goals.

3 Bank Your Raise

If you get a raise this year, consider increasing the amount you contribute to your plan by the same amount. **If you get a 2 percent raise, increase your contributions by 2 percent.** You'll be contributing more toward your retirement, and you won't even feel it in the pocketbook. In addition, your money will go further since it's a pre-tax investment.

4 Resolve To Pay Your Bills On Time

Paying your bills on time not only gives you peace of mind, it can put more cash in your pocket. **Late bills can adversely affect your credit score,** making it hard to get credit when you need it. Bills paid past their due date can also give creditors a reason to raise your interest rates or add a late fee onto your bill, costing you more money in the long run.

5 Take An Interest In Your Interest Rates

Do you know how much interest you're paying on your credit cards? If not, check your latest statement. **If you have an established history of paying your credit card bills on time, call your card issuer and ask for a lower interest rate.** The credit card company may reduce your rate if you simply ask them. It sounds too good to be true, but it happens more often than you think. **Lower rates can help you pay your balance off more quickly, resulting in more discretionary money in your pocket – or money that you could put into your retirement account – each month.**

No matter which task(s) you incorporate into your financial habits, keeping an eye on your investments is always a good idea.



Young Adults: Don't Neglect your 401(k)

If you're just beginning your career, a retirement savings strategy may be the last thing on your mind. Faced with the financial pressures of moving away from home, starting a new career, paying off college loans and possibly starting a family make it tempting to focus on immediate concerns and put off your retirement plans.

What you might not realize is that **money that is put aside early represents a major portion of your retirement nest egg**. And waiting just a couple of years to save can cost you thousands of dollars in potential retirement savings. Young workers have a basic element of investing in their favor – time. **The more you invest now, the more you earn in compound interest over time.**



beginning at age 25
\$100 per month
10 years

\$200,000

beginning at age 35
\$100 per month
30 years

\$150,000



Here's an example:

A 25-year-old who starts saving \$100 per month for 10 years, but stops investing at age 35, would accumulate \$200,000 by age 65, based upon an 8 percent annual return. In contrast, a 35-year-old saving that same \$100 each month for 30 years at 8 percent would accumulate only \$150,000 by age 65.

This significant difference resulted simply because of *when* the two individuals began saving.

Another advantage to saving early is the ability to take on more risk. **Because young people have more time to recover from negative market fluctuations, they may be comfortable assuming this higher level of risk and possibly gaining greater returns over the long haul.**

Saving early by investing in a company's retirement savings plan also makes sense because many employers match a certain percentage of money employees invest in their 401(k) plans, essentially providing free money that can grow over time and contribute to retirement. Plus, 401(k) contributions are taken out of your paycheck pre-tax, which translates into greater income tax savings.

So start saving as much as you can as early as you can. This will help ensure your golden years are indeed golden.*

* *There is no guarantee that by investing early, any particular return will be achieved. Investing early does not prevent market losses.*

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