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Mutual of Omaha's
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How to Build an **Emergency Fund**

If you find yourself spending too much on discretionary items, set a goal to cut down.

Many financial experts recommend saving enough money to cover three to six months' expenses in the event of a major financial surprise. That's because a well-funded emergency fund can get you through tough times without using other savings, such as for retirement and college.

Stick to a Budget

Creating a budget is easier than you think. Write down your household's total monthly after-tax income, and then identify how much you need to spend every month on necessities (rent, mortgage, taxes, utilities, insurance, groceries, etc.). Subtract the expenses from the income, and what remains is available to save for important goals, such as an emergency or retirement fund, or for occasional treats like dining out or vacation.

The key is finding a happy balance. If you find yourself spending too much on discretionary items, set a goal to cut down. Not all at once – you may find it easier to reduce your non-necessity purchases over time.

Reduce the Cost of Debt

Many Americans spend their hard-earned money on interest and finance charges arising from personal debt. Wherever possible, transfer high-interest debt to a single, low-rate account. Homeowners may be able to pay off credit card balances with a tax-deductible home equity loan. Don't use credit to buy what you can't afford, put any windfall income (tax refund, bonus, etc.) to good use. Paying off debt and saving is better than spending without a plan.

Customize Your Savings Plan

Three to six months is a good starting point, but you may need a larger emergency fund. If your savings are in low interest rate savings accounts or CDs, consider other lower-risk investments, such as short-term bond funds.[1] A Roth IRA is also an option, as you can withdraw your contributions for any reason prior to age 59½, and may be able to tap any earnings without paying penalties, depending on the circumstances.

Work With a Financial Professional

Managing finances on your own can be difficult. A financial professional can help you set a budget that will help you live within your means and invest properly to achieve your goals.

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[1]CDs are FDIC insured and offer a fixed rate of return if held to maturity. Investing in mutual funds involves risk, including loss of principal.

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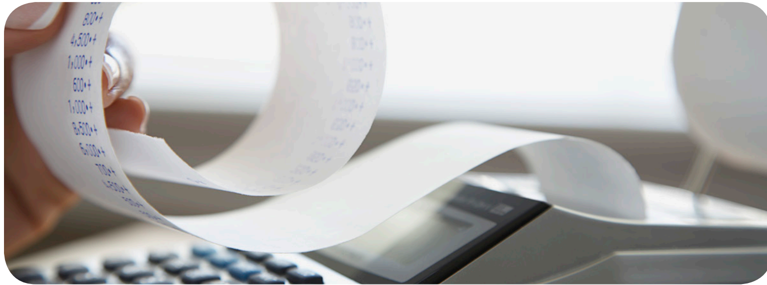

Could You Be **Saving More?**

The amount you contribute to your plan depends on how much you can contribute, how much you will need in retirement, and how much you can afford to save today.

While the trend toward longer, healthier lives is well-known, retirement planning is fraught with uncertainty. Research shows that over the past two decades expected retirement age has gone up. In 1991, 11% of workers expected to retire after age 65. In 2014, it was 33%, and 10% don't plan to retire at all.[1]

Will you have a financially comfortable retirement? As a participant in your employer-sponsored retirement plan you are already saving – is it enough? The amount you contribute to your plan depends on the following key factors.

How Much Are You Allowed to Contribute?

Contribution limits and matching contributions differ by plan, but all follow IRS rules. For 2015, you can contribute up to $18,000 to a qualified plan on a tax-deferred basis. If you are age 50 or older, you can contribute an additional $6,000 in "catch-up" contributions. The total you can contribute to a plan in 2015 is $53,000 or 100% of your compensation, whichever is less. This includes your before- and after-tax contributions, as well as any employer match.

How Much Will You Need in Retirement?

An estimate starts with considering your retirement lifestyle. Knowing if you will travel a lot or work part-time can help you decide how much to save. When you plan to retire and how long you expect to live in retirement are also factors. And so are other sources of retirement income, like Social Security and pensions. This will help you determine just how much you'll need to rely on your investments.

How Much Can You Afford to Deduct From Your Paycheck Today?

That depends on what your other expenses and financial commitments are, and how you prioritize them. Contributions are tax deferred, so the bottom-line impact on your take-home pay won't be as much as you might think.[2]

Factor in your employer's matching contributions, if available. The employer match, if offered, usually represents a percentage of your pre-tax contribution. For instance, if you contribute 6% of your salary to your plan, your employer might match the first 3% at 50 cents on the dollar.

[1]Employee Benefit Research Institute, *2014 Retirement Confidence Survey.*

[2]Withdrawals will be taxed at then-current rates. Early withdrawals prior to age 59½ may be subject to a 10% penalty tax.

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