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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 setting aside enough money to cover three to six months' worth of expenses in the event of a major financial surprise. That's because a well-funded emergency account has the potential to get you through tough times without the need to spend other savings, such as assets earmarked for retirement and college.

The following steps will help you start saving more right away.

Stick to a Budget

Creating a budget is easier and more important than you may think. Just write down the amount of your household's total monthly after-tax income, and then identify how much money you need to spend every month on necessities such as rent or mortgage payments, taxes, utilities, insurance, and groceries. Next, subtract the latter amount from the former. The difference represents the amount of money available to be set aside for important goals – such as accumulating emergency savings and saving for retirement – and for treats – such as dining out or going on vacation.

The key is finding some sort of happy balance between the two. If you find yourself spending too much on discretionary items, set a goal to cut down. Don't try to do it all at once. You may find it easier to reduce your non-necessity purchases over time. Try to cut down your spending by 5%-10% per month.

Reduce the Cost of Debt

Every month, millions of Americans spend their hard-earned money on interest and finance charges that arise from carrying personal debt, such as credit card balances. Wherever possible, transfer any high-interest debt to a single, low-rate account. If you own a home, you may be able to pay off your credit card balance with a tax-deductible home equity loan. And needless to say, don't use credit to buy things you can't really afford.

Additionally, whenever you're expecting a tax refund, bonus, or other windfall, be sure to put it to good use. Paying off debt and saving for the future are almost always better strategies than spending without a plan.

Customize Your Savings Plan

Everyone's situation is different. While three to six months is a good starting point, you may need a larger emergency fund if you have a mortgage, children, and/or a non-working spouse.

If you are concerned about the nominal interest rates available via savings accounts or CDs, consider parking some of your funds in other lower-risk investments.[1]

You can also use a Roth IRA as an option in your strategy, as you can withdraw your contributions from it for any reason prior to age 59 ½. You also 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 determine a budget that will help you live within your means and can help you invest properly to achieve your goals.

[1]CDs are FDIC insured and offer a fixed rate of return if held to maturity.

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Retirement Approaching? **Tips for Those Over Age 50**

If working longer for your current employer doesn't thrill you, explore learning new skills that could increase your marketability to potential employers.

In your 50s (or 60s) and behind in your retirement planning goals? You've still got time to get your financial plan on track. Here are some tips that may help you make the most of your final working years.

Catch up. If you have access to a 401(k) or other workplace-sponsored plan at work, make the $5,500 catch-up contribution that is available to participants aged 50 and older. You are first required to contribute the annual employee maximum.

Fund an IRA. Investors aged 50 and older can contribute $6,500 annually (the $5,500 annual contribution plus an additional catch-up contribution of $1,000). An investor in his or her 50s who contributes the maximum amounts to both a 401(k) and an IRA could accelerate retirement savings by more than $25,000 a year.

Review your investing strategy. Generally, the nearer to retirement you are, the less investment risk you should take. However, if you've always been a conservative investor, you may want to get a bit more aggressive. Consider reallocating your portfolio to give you the potential for more growth.

Consider dividends. If you do not have access to a workplace-sponsored retirement plan, or you already contribute the maximum to your qualified retirement accounts, consider stocks that offer dividend reinvestment.[1]

Make little cuts. Consider how you can trim expenses while continuing to enjoy life. An extra $100 a month saved today could make a big difference down the road.

Consider bigger cuts. If you find yourself very deeply in debt, it may be time to make some bigger decisions. Review your spending thoroughly.

Review strategies for postponing retirement. If you are thinking about working longer than you had previously anticipated, you are not alone. Nearly one-quarter of Americans surveyed said they will probably retire later than planned.[2] If working longer for your current employer doesn't thrill you, explore learning new skills that could increase your marketability to potential employers.

Most Important Tip: Don't Give Up

Many preretirees falsely believe that there is nothing they can do to build retirement assets and, as a result, do nothing. Remember that you control how much you invest and, in many areas, how much you spend. Make a plan – and stick with it.

[1]Investing in stocks involves risk, including loss of principal.

[2]Source: Employee Benefit Research Institute, 2013 Retirement Confidence Survey, March 2013.

Log on to Use Retirement Planning Tools

Secure retirement years are a goal for almost everybody. That's why you and your fellow employees have access to tools to help you plan for your future on your company retirement plan website. Log on today at *getretirementright.com* and discover all the helpful information at your fingertips and tools for managing your individual account. Here are some of the useful options available:

1. Make a plan with the retirement calculator
2. Educate yourself by reviewing investment options
3. Explore your options designed by retirement professionals
4. Take action by adjusting your investments and how much you contribute
5. Monitor your progress with fast, easy and secure access to current and past statements

For questions, contact the administrator of your retirement plan.