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Four Financial Targets for the Future Cross These Off Your “To-Do List”

Have you started on the path to a promising career and, hopefully, financial security? If so, along the way you are likely to set certain goals that will indicate you are heading in the right direction. Here are four targets to shoot at before retirement finally beckons.

1. A realistic budget: One of the keys to financial success is to save more than you spend. But this is extremely difficult to do if you are not tracking income and expenses and then budgeting accordingly.

It does not have to be exact, but make calculations based on your recent history. You may find that you are overspending in some areas where you need to cut back. Online calculators and programs can make budgeting easier, so take advantage of the latest technology.

2. Reduced credit card debt: In the best-case scenario, you can reduce your credit card debt to zero, or not have any debt other than your regular monthly credit charges that you pay in full. But that is not always possible, especially for big spenders.

At the very least, you should save enough to cut credit card debt down to a manageable amount. Typically, you would pay off charges with higher interest rates first. It may make sense to consolidate debts if you can obtain a reasonable rate.

3. A retirement fund: When is the best time to start saving for retirement? As soon as you begin working on a full-time basis. By taking advantage of various retirement-saving devices, such as a 401(k) plan at work or IRAs, or both, you can benefit from tax-deferred compounding of funds.

The tax law limits for contributions are generous. For instance, someone under age 50 can defer up to \$18,500 to a 401(k) plan in 2018 on a pre-tax basis, plus your employer may provide “matching contributions” up to a stated percentage. In addition, you can contribute up to \$5,500 to an IRA for the 2018 tax year. Even modest contributions early in life can help you accumulate a tidy nest egg over time.

4. An emergency fund: When you are starting your career, or when you are in the prime of your career, you may not envision a time when you will be in dire financial straits. But no one is immune from potential dangers. An unexpected illness, injury or job loss can be devastating, especially if you are paying a mortgage and trying to save for your children’s college educations.

Set aside savings in an emergency fund as a protective measure. Most important, you should have easy access to the money. If possible, avoid tapping into funds earmarked for retirement.

Of course, the sooner you can cross these four goals off your “to-do list,” the better. Coordinate activities with your other financial planning aspects.

Please contact us if you have questions about planning for your future. We would be happy to schedule a meeting to discuss your specific needs.