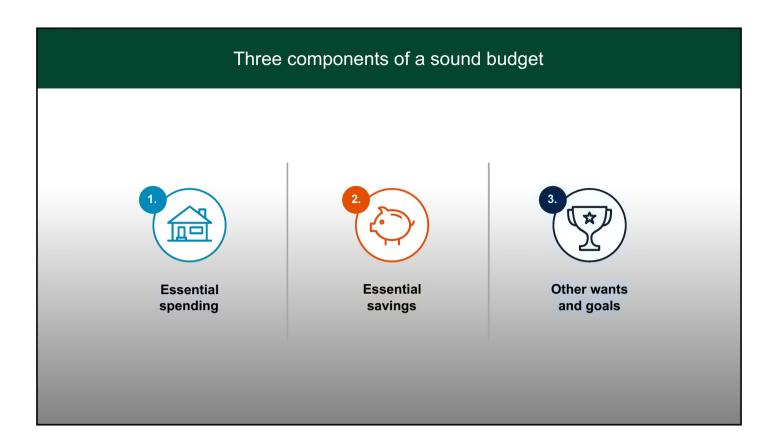


Today's presentation is meant to be a brief overview of things to consider while managing your debt.

Create A Budget

Before we start building your budget, let's examine how a budget works.



A Budget Can Help Provide Freedom

Planning out your spending, and living within a budget, is all about freedom.

With a budget in place, you can be confident that you've got the money to cover your essential living expenses, you're ready when unplanned expenses pop up, and that you're able to pursue the things in life that are important to you.

Budgets don't have to be restrictive. You set them, and You control them, so you can make sure to factor in the "fun" items that are important to you, like taking a vacation, going out to dinner, or buying a new gadget you've been dreaming about.

Building a budget starts with gaining an understanding of what goes into it. There are three main features- Essential Spending, Essential Savings, and other wants and goals.

Essential Spending includes items that it would be difficult to live without. These expenses include housing, food, health care, transportation, child care, minimum debt payments, and other financial obligations. The amount you spend in each category will vary, but it is generally considered a good rule of thumb to limit your essential spending to no more than 50% of your take home pay.

Essential Savings includes contributions to your retirement plan and putting money

toward an Emergency Fund. As a general guideline, Fidelity suggests setting aside 15% of your income before taxes. This amount includes your retirement contributions and any employer contributions you may receive. Fidelity believes it is also a good idea to have 3 to 6 months of living expenses tucked away in an emergency fund. An annual contribution of 5% of your take home pay into a safe and easy-to-access account- like a savings or money market account- could help protect you from experiencing an unplanned expense shortfall.

Building a budget starts with gaining an understanding of what goes into it.

There are three main features:

- · Essential spending
- Essential savings
- · And other wants and goals

Why an emergency fund?

CAN GIVE YOU MORE CONFIDENCE WHEN THE UNEXPECTED HAPPENS



Why an Emergency Fund?

Earlier, we discussed creating an emergency fund. You may be wondering, do I really need one of those?

An emergency fund can give you more confidence when the unexpected happens. With an emergency fund, if you have a surprise home repair or medical expense, you won't feel tempted to raid your retirement savings, disrupt another savings goal, or run up a credit card bill. You'll have the savings set aside to help deal with the emergency.

Depending on your situation, building an emergency fund may seem like a stretch. Our suggestion is to make it a habit. Here's how:

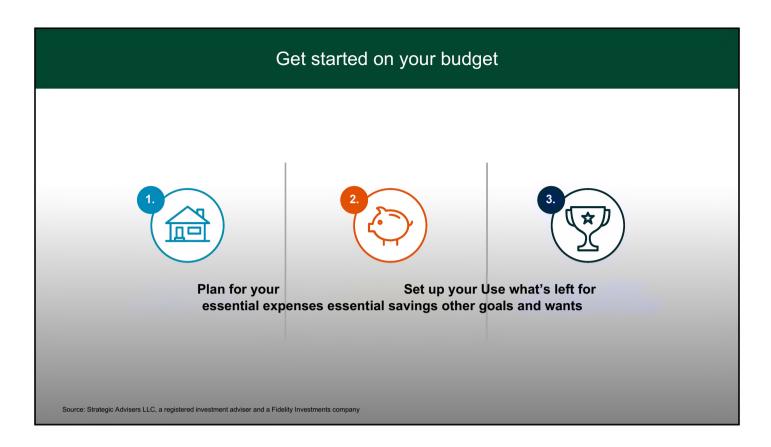
Open a separate savings or money market account for your emergency fund.

Save as much as you can afford.

Commit to making a deposit every payday, whatever you feel you can manage — 8%, 12%, or, ideally, 15%. Treat it like a bill, and make the contribution every time. Direct deposit can help you do that.

Do your best to keep your hands off it, so it can grow.

Then when you have a real emergency, like paying for an unexpected medical bill or a car repair, you'll be ready.



Get Started on Your Budget

Now let's review the steps to help you create your budget.

First, gather the information you'll use to identify and categorize the money you spend each month. This includes your monthly pay before taxes and your current monthly spending amounts.

Then, apply the budget framework we reviewed. Make sure your essential expenses are covered, and try to keep them to 50% or less of your take-home pay.

Set up your essential savings. Your recommended retirement savings target is 15% (which includes a combination of both employee and employer contributions) of your before tax income At the same time, build up your emergency fund to cover three to six months' expenses. Once you've reached that level in your emergency fund, keep on saving 5% of your take-home pay for unplanned expenses.

Finally, make good use of the money that's left over. It's certainly all right to have some fun, but also consider saving a bit more for retirement or getting rid of big debts.

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Alan Collins Workplace Financial Consultant



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Consultant



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