BH

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NEWSLETTER

How to Budget

The first step to budgeting is to save for 3-6 months of expenses. Sit down and calculate how much money you would need to live for 3-6 months and start saving to protect yourself against life's bigger surprises. This pile of cash will make sure you aren't caught off guard by a job layoff or a leaky roof. Keep your emergency fund in a savings or money market account that earns interest. Create a list of critical expenses. See below for an example list of critical and non-critical expenses:

- ✓ Housing
- ✓ Food
- ✓ Health Care
- ✓ Utilities
- ✓ Transportation
- ✓ Debt

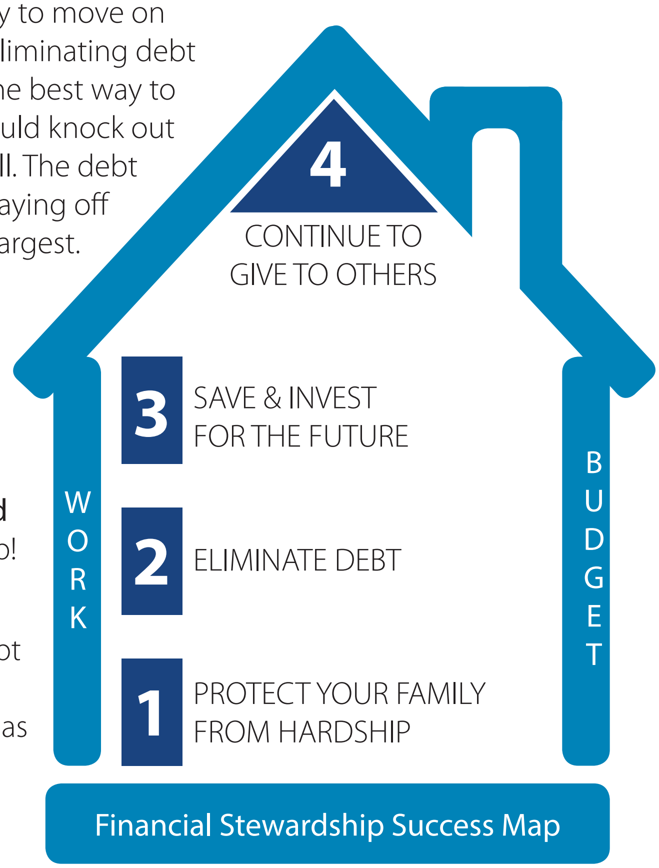
- ✗ Entertainment
- ✗ Dining Out
- ✗ Vacations
- ✗ Clothing
- ✗ Gifts
- ✗ Shopping

IN THIS ISSUE:

After you have protected your family from hardship, you're ready to move on to the second step - Eliminating Debt. Although the thought of eliminating debt can feel overwhelming, it is an important step for your budget. The best way to eliminate debt is the Debt Snowball Method. This means you should knock out the smallest debt first to create momentum in your debt snowball. The debt snowball method is designed to help you stay motivated while paying off your debt. Start with the smallest debt and work you way to the largest.

You may have previously heard that in order to pay off your debt, you should pay on debt that has the highest interest rate first. Mathematically, that makes sense, right? Maybe. However, if you begin with the biggest one, you might think you're not making fast enough progress, lose steam and quit before you're done. **It's important to pay your debts in a way that keeps you motivated until you've wiped them out.** Those quick wins will pump you up!

Make minimum payments on all debts except the smallest debt, then throw as much money as you can at that one. Once that debt is gone, take its payment and apply it to the next smallest debt, continuing to make minimum payments on the rest. Repeat that as you plow your way through your debts. Before you know it, your debt snowball will be rolling downhill.



Understanding Your Debt Realities

Getting out of debt is important. Aggressively paying down debt will require significant sacrifice, but you can do it! Below are five important principles for getting out of debt.

1. Understand your debt realities
2. Have a desire to get out of debt
3. Overcome what is leading you to debt
4. Stop incurring debt
5. Pay off your debt

Understanding your debt realities is important. How much debt do you have? What are the payments? How long will it take to pay off your debt, and how much interest will it cost you? It is important to know these things as you work to get out of debt.

Baby Steps to Financial Peace

Dave Ramsey's 7 Baby Steps is another great option to help you budget. These steps are designed to be followed one right after the other to lead you out of debt and stress and into a life of saving and giving. Millions have worked this proven plan; you can too!

7 Steps on **Financial Peace**

1. **$1,000 CASH IN A BEGINNER EMERGENCY FUND** - Start an emergency fund for those unexpected events in life you can't plan for. Whether there's a plumbing issue and everything but the kitchen sink is draining, or your brakes are squealing at every stop sign, you can be ready! In this first step, the goal is to save $1,000 as fast as you can. Go through your storage boxes and sell some stuff. Work an extra job. Do whatever it takes to start saving money.

2. **PAYING OFF DEBT WITH THE DEBT SNOWBALL** - List all debts but the house in order. The smallest balance should be your number one priority. Don't worry about interest rates unless two debts have similar payoffs. If that's the case, then list the higher interest rate debt first.

3. **FULLY FUNDED EMERGENCY PLAN FOR 3-6 MONTHS OF EXPENSES** - This step is all about building a full emergency fund. Sit down and calculate how much you need to live on for 3–6 months (for most, that's between $10,000 and $15,000), and start saving to protect yourself against life's bigger surprises. You'll never be in debt again— no matter what comes your way. It's time to kick debt for good, with 3–6 months' worth of emergency savings.

4. **INVEST 15% OF YOUR HOUSEHOLD INCOME INTO RETIREMENT** - Now it's time to get serious about retirement. With no payments and a full emergency fund, put 15% toward the retirement of your dreams. Between your 401(k), Roth IRA and Traditional IRA, you have a lot of options. Find the fit that is right for you. The money you were using to attack debt can now help build your future.

5. **START SAVING FOR COLLEGE** - By Step 5, you've paid off all debts but the house, and you've started your retirement savings. Now it's time to save for your kids' college expenses. Don't let college sneak up on you. College tuitions and housing expenses continue to rise. Saving now will put you ahead of the game when your kids graduate from high school.

6. **PAY OFF YOUR HOME EARLY** - Any extra money you can put toward the mortgage will result in tens of thousands of dollars of interest saved and months (or even years) of not having a payment hanging over your head.

7. **BUILD WEALTH AND GIVE GENEROUSLY** - This is the last step and by far the most fun. It's time to live and give like no one else! Build wealth, become insanely generous, and leave an inheritance for future generations.

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