12 Steps to

FINANCIAL WELLNESS

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Intro

Are you ready to embark on a journey toward financial wellness?

Achieving and maintaining your financial health is a lifetime pursuit. We've outlined the 12 foundational steps toward achieving financial wellness and making it last. In each step, we'll tackle the topic in detail to help you learn all you need to know about that particular aspect of financial health. Follow along, and at the end of the process you'll have mastered the tools for a lifetime of financial wellness.

Step 1: Track Your Spending

Tracking your spending is the first step toward greater financial awareness and, ultimately, toward financial health. However, mastering this skill is easier said than done. How can you track every dollar you spend when you make multiple purchases each day?

We've outlined how to track your spending in 3 simple steps.

1. CHOOSE YOUR TOOLS

Tracing every dollar's journey isn't easy, but with the right tools, you can make it quick and simple. Choose from one of the following money-tracking techniques:

BUDGETING APPS. If your life is tethered to your phone, you can download a budgeting app, like YNAB or MoneyDesktop, to help you track your spending. Both allow you to allocate a specific amount of money for each spending category for each month, and will enable you to track your spending with just a few clicks. MoneyDesktop is available for MFCU members through online banking and the mobile app. It's important to note that YNAB is not a free app, but that it may be worth the cost for users who want to take on a more active role in their money management.

SPREADSHEET. If you like to see everything spelled out clearly, a spreadsheet might be a great choice for you. You'll need to record every transaction, but if you prepare the sheet with all the spending categories you think you'll need, this step shouldn't take long at all.

THE ENVELOPE SYSTEM. If you're a big cash spender, consider withdrawing the cash you think you'll spend in a typical month (or in a week) and keeping it in an envelope designated for each category. When you need to make a purchase, use money from the envelope. Note: If this method appeals to you, but you worry that cash is not a safe option, consider creating multiple savings accounts, each dedicated to a broad spending category, and then managing it all with online or mobile banking.

RECEIPTS. Hold onto every receipt from the purchases you make this month to help you track your spending.

PENCIL AND PAPER. Recording each purchase the old-fashioned way can help you make more mindful money choices throughout the day. Be sure to keep a steady supply of both writing instruments handy at all times so you never miss documenting a purchase.

2. REVIEW YOUR CHECKING ACCOUNT AND CREDIT CARD STATEMENTS CAREFULLY

Along with one of the tools listed above, you can track the purchases you make using plastic by reviewing your monthly checking account and credit card statements at the end of the month. You may receive these in the mail, or you can access them online by logging into your account and downloading the information.

3. REVIEW AND CATEGORIZE YOUR PURCHASES

At the end of the month, use your chosen tool to review all the purchases you've made throughout the month. If you've used an app or a spreadsheet, adding your purchases to find the total amount of money spent will be simple. The app or spreadsheet may have already

helped you divide the money spent into separate categories as well. Similarly, if you've used the envelope system, you should know how much you spent on each kind of purchase this month. However, if you've chosen another method to track your spending, you'll need to crunch some numbers to get an accurate picture of your spending habits.

When completing this step, don't forget to include any automated payments you may rarely think about, such as subscription fees and insurance premiums.

Tracking your spending and identifying your spending leaks is the first step toward greater financial awareness and responsibility. Use the tips outlined here to successfully master the skill of tracking your spending.

Step 2: Create a Budget

For some, the word "budget" stirs up cold chills, and for others, it's their cozy comfort zone. Whichever the case for you, the budget is an important tool for financial health.

Let's get started by taking a look at how to create a budget and review some popular budgeting systems as well as how they work.

CREATE A BUDGET IN 5 EASY STEPS

TRACK YOUR SPENDING AND INCOME. This includes all your financial documents, such as your account statements, bills and pay stubs.

TALLY UP YOUR TOTALS. Calculate the totals of your monthly expenses and all your streams of income. If your income exceeds your expenses, you're in a good place. However, if your expenses exceed your income, or the numbers are too close for comfort, you'll need to trim some discretionary expenses to make it through the month without falling into debt if an unforeseen big expense happens. This expense tracking worksheet is a great tool.

LIST YOUR NEEDS. Your needs include anything that is essential for living and basic functions, such as rent or mortgage payments, savings, food and clothing. Needs always take priority in a budget. As you list each need, write down its cost. Sum up the total of your needs when you've finished.

LIST YOUR WANTS. This includes anything that is *not essential* for living, like entertainment costs, brand-name clothing and dining

out. Here, too, note the monthly cost of each item on your list and add up the total when you're done.

ASSIGN DOLLAR AMOUNTS TO YOUR EXPENSES. Open a new spreadsheet and copy your list of expenses, starting with fixed-cost needs, then non-fixed-cost needs, and finally, your wants. Assign an appropriate dollar amount for each of these costs, making sure the total does not exceed your estimated total for monthly expenses.

REVIEW AND TWEAK AS NECESSARY. You will likely need to adjust the amounts in each expense category at least once a year to keep your budget relevant. Likewise, you will hopefully be able to increase the amounts in the income column as you move upward in your career path or find additional income streams.

BUDGETING SYSTEMS

While every kind of budget involves tracking expenses and committing to a maximum spending amount each month, there is a wide range of budgeting systems to fit every kind of personality and money management style.

THE TRADITIONAL BUDGET doesn't involve much more work than the steps described above. After working out a number for every expense category, you'll simply need to track your spending throughout the month to ensure you're sticking to the plan. You can use a spreadsheet for this purpose, or utilize one of the popular budgeting apps, like YNAB or MoneyDesktop, and do it digitally.

THE MONEY-ENVELOPE SYSTEM works similarly. However, instead of simply committing to sticking to your spending amounts for each expense category, you'll withdraw the amount you plan to spend on all non-fixed expenses in cash at the start of the month. Divide

the cash into separate envelopes, using one for each of these expenses. Then, withdraw cash from the appropriate envelope when making a purchase in that category. There's no way to blow your budget with this system; when the money in the "Dining out" envelope runs dry, that's all for this month!

THE 50/30/20 BUDGET is simpler, but requires more discipline. Set aside 50 percent of your budget for your needs, 30 percent for wants and the remaining 20 percent for savings. Of course, you'll need to make sure your income and expenses will work with this kind of budget. Does 50 percent of your income cover your needs? If yes, this budget allows for more individual choices each month with less accounting and tracking of expenses.

A well-designed budget can provide its creator with a sense of financial security and freedom. When you stick to a budget, you'll always know you have enough to get through the month and save for the future. Start budgeting today!

Step 3: Pay Down Debt

Consumer debt can be one of the biggest challenges to realizing good financial wellness. Credit card companies design their business model in a way that makes it easy to get stuck paying off debt for years. With some intentional action and commitment, reaching true financial wellness and being financially independent is possible. At the very least, seek to be on track for paying it off in a reasonable timeframe.

Below, we've outlined how to pay down debt in five simple steps, along with three debt-paying strategies to avoid.

1. ORGANIZE YOUR DEBT

Before you get started, determine how much debt you must pay off. List every credit card you own that has an outstanding balance and jot down the amount owed to each. Next, list the interest rate of each card. Do this for any other fixed installment loan debt you have as well. These numbers will help you build a debt-payoff plan in the next two steps.

You can also add up the amounts owed on each account to reach your total outstanding debt amount.

2. CHOOSE YOUR DEBT-CRUSHING METHOD

There are two main approaches people utilize for getting rid of their debts:

THE SNOWBALL METHOD focuses on paying off your smallest debt first by putting any extra funds toward monthly

payments while paying only the minimum payments on other debts. Once the focused debt is paid in full, shift your focus to the next-smallest debt and repeat until all debts have been paid off.

THE AVALANCHE METHOD involves getting rid of the debt that has the highest interest rate first and moving on to the debt with the next-highest rate until all debts are paid off.

Each method has advantages and drawbacks. The snowball method provides frequent motivation as debts are paid off sooner, but it may involve paying more overall interest on the debt. The avalanche method, on the other hand, may save the borrower significant additional debt burdens by reducing the overall interest, but it can take a while to truly feel progressive results.

Choose the method that makes the most sense for your personal and financial circumstances.

3. MAXIMIZE YOUR PAYMENTS

Once you've chosen your debt-crushing method, it's time to find ways to maximize your monthly credit card payments. You can do this by trimming your spending in one budget category and channeling that money toward paying down your debt. You can also find ways to pad your pocket with extra cash for your payments, such as freelancing for hire or selling your creations on a platform, like Etsy, Amazon, or eBay.

Once you've determined how much you can afford to pay each month, you can create a debt-payoff plan using the systems described in Step 1.

4. CONSIDER A DEBT CONSOLIDATION LOAN

For some consumers, the most challenging part of paying

down debt is managing multiple payments across several credit card accounts. With several monthly debt payments to make, it can be complicated to remember them all. It can also feel like the monthly payments are only going toward interest.

A debt consolidation loan can change all that. When you consolidate debts to one low-interest loan, it's a lot easier to manage the monthly payments. Plus, the savings in interest payments can be significant, especially if the new loan has a low interest rate.

If this approach sounds favorable, consider taking out a personal loan from MembersFirst Credit Union. The loan will provide you with the funds you need to pay off your credit card bills and provide you with a single, low-interest monthly payment.

5. NEGOTIATE WITH YOUR CREDITORS

Many credit card companies are willing to lower your interest rate once you prove you are serious about paying down debt. After kicking off your debt payment plan, it's worthwhile to contact each credit card company to discuss your options. At the very least, see if you can get the company behind the first debt on your list to lower your rate.

3 DEBT-CRUSHING STRATEGIES TO AVOID

As you work toward paying down your debt, beware of these debt-crushing strategies, which may do more harm than good:

DEBT SETTLEMENT. Debt settlement services offer to lower your interest rates and boost your credit score in a short amount of time – for a fee. Unfortunately, though, many of these companies

are fronts for scammers and should be avoided. Do note, though, that there are legitimate debt settlement companies, so do your research well if you are thinking of using one.

401(K) LOANS. It's rarely a good idea to borrow from the future you. Withdrawing funds from your 401(k) to pay down debt can mean getting hit with all sorts of penalties, fees and taxes.

HOME EQUITY LINE OF CREDIT (HELOC). Borrowing against your home to pay off debt without having a clear strategy for recovery means putting yourself at high risk of losing your home.

Regardless of the strategy you choose or the methods you use for paying off your debt, commit to not adding more charges onto your card while you're paying it down. Paying off a large amount of debt will take time and willpower, but living debt-free is a key to financial wellness. Best of luck on your debt-crushing journey!

Step 4: Talk Money with Your Partner

Talking finances with your partner may not be your idea of a shared romantic moment, but communicating openly about how to manage your money is a crucial part of having an honest and trusting relationship. It's fairly common knowledge that arguing about money is the leading cause of divorce in the U.S., and no one wants to be the next statistic. Unfortunately, though, people often grow defensive when discussing the ways they choose to spend their money. How, then, can two partners have a calm, productive discussion about money?

Here are six tips we've compiled to help guide you in this super-important conversation.

1. PLAN THE DISCUSSION IN ADVANCE

It's never a good idea to bring up a potentially explosive topic without warning. Instead, broach the topic with your partner a few days before you want to have the "Big Money Talk" and ask if you can have an open discussion about money sometime soon. This way, you'll each have time to prepare the details you'd like to talk about, and you'll both be ready to focus on the conversation without distractions.

2. START WITH A VISION

Instead of starting the conversation by bringing up a time your partner overspent or wondering aloud why your better half doesn't seem to be saving enough for the future, start with

a vision you can both share. For example, you can talk about how wonderful it would be to take a luxury vacation to the Cayman Islands, or how you'd love to start saving for a home. This way, you are communicating a shared dream and putting a positive spin on your money talk, which will set the tone for the rest of the conversation.

3. LISTEN CAREFULLY TO YOUR PARTNER

You may be the more responsible, or the more detail-oriented partner, but it's still important to listen carefully to what your partner has to say. Your partner will have their own ideas about money management, and you may be surprised at the insights they have on your own spending habits or expensive vices.

4. TALK OPENLY ABOUT SHARING EXPENSES AND SAVINGS

At a certain point in your relationship, you may decide to share expenses, split them evenly and have each partner cover designated expenses, and/or to pool your savings. Whether you've already reached that level with your partner or you plan to bring up the topic now, be sure to talk openly about the way you feel so you have a better chance of avoiding future resentment. For example, if you earn more than your partner, should you be splitting expenses evenly? Can one partner take on additional financial responsibilities, such as paying the bills, in lieu of contributing an equal amount of income to the pot? If one partner goes over budget, will they be responsible for patching up the difference by contributing more money? All of these questions, and more, are important to discuss

up front to help prevent future blowups and/or hurt feelings.

At this time, consider linking one of your accounts or opening a shared account at MembersFirst. We have convenient checking and savings accounts to suit every preference. Just stop by and ask how we can help.

5. CONSIDER HAVING A SLUSH FUND

Sharing expenses and a budget can be liberating while in a partnership, but it can also feel constricting. Sometimes, you just want to splurge without having to explain the purchase to your partner. You may also want to spend money on a gift for your partner without them knowing you've just dropped a large sum of money on them. Having a slush fund, or money set aside for your personal "just for fun" spending, can help you maintain a sense of independence and keep some of your purchases private. You can keep this fund in a separate checking account under your name at MembersFirst.

6. SET UP A WEEKLY OR BI-WEEKLY TIME TO TALK MONEY

No, you don't need to have the Big Money Talk every week, but it is a good idea to touch base about finances once a week, or once every two weeks. You can talk about recent purchases, big expenses that are coming up soon, surprise bills and more. Setting aside time to talk about money will keep the stressful money arguments out of your everyday conversations.

After having the money talk with your partner, be sure to stick to your commitments. Be sure to bring up any money issues that may arise during your regular money talks for continued harmonious collaboration about all financial matters.

Step 5: Practice Mindful Spending

Creating a budget and deciding to stick to it is easy; it's actually carrying through on your plan that's the hard part. For too many people, financial responsibility ends at having good intentions and real life gets in the way of all well-laid plans. A large part of the discrepancy between what they want to do and what they actually do is caused by their failure to spend mindfully. When every indulgence and impulse buy is just a swipe away, it can be super-challenging to rein in that spending instinct – but it *is* possible. Here's how to learn the art of mindful spending.

FIND ALTERNATIVE WAYS TO DE-STRESS

Too often, people claim they need "retail therapy" and use it as an excuse to practice mindless spending. But choosing to turn to shopping for alleviating stress, dealing with a challenging situation or just to escape real life for a bit makes it very difficult to make smart, responsible choices. In addition, the bills and debt that may accumulate as a result will really increase stress levels. Instead, it's best to find another way to lift a heavy mood. Find someone to talk to, take a relaxing bath, go for a jog while listening to your favorite pick-me-up playlist or revisit a forgotten hobby.

CONSIDER DISABLING THE ONE-CLICK FEATURE FOR ONLINE SHOPPING

If you're big into online shopping and often end up buying more than you'd planned, you may want to disable the one-click feature on sites like Amazon. You can also choose not to have your

device "remember" your payment information so you are forced to do the extra work of inputting it whenever you shop. The more resistance or friction required to complete a purchase, the greater the chances of that purchase being a mindful choice, and not a decision you'll regret.

LEAVE YOUR CARDS AND CASH AT HOME

When you don't plan on spending money, don't take any with you. For safety reasons, you may choose to carry a card with you, but it's a good idea to keep it as out-of-reach as possible. If you make all your payments with your phone, keep it tucked away, too. Similarly, if you're hitting the shops to pick up a specific item, bring just the amount you'll need for the purchase and nothing more.

PUT LARGE PURCHASES ON HOLD

One of the best ways to avoid buyer's remorse is to put all large purchases on hold. Set your own dollar amount for what you consider to be a large purchase and resolve to wait a while before completing any purchase in that amount or more. For example, you can decide to wait two weeks for every purchase of $50 or more. Delaying a large purchase will give you time to think it over and consider whether you really want to spend this money now. Of course, if you've been saving up for a large purchase for a while, you've already thought about the purchase and decided it's worthwhile.

AVOID TEMPTATION

It's hard to keep telling yourself no when temptation is constantly flashing across your screen. Opt out of social media accounts that get you to spend more than you should, and unsubscribe from email lists. Avoid browsing on brand sites that trigger overspending and only visit such

sites when you need to make a specific purchase. You can do this in real life as well, being careful to avoid shops that provoke mindless spending. Similarly, when shopping for groceries, keep away from aisles and checkout counters that cause you to overspend and purchase more than you have on your list.

Mindless spending can be the undoing of the most carefully crafted budget. Follow these tips to master the art of spending mindfully.

Step 6: Pay it Forward

Money management can sometimes feel inherently selfish. You're earning, budgeting, saving and investing, all so you and those you love can enjoy a worry-free life on your own standards. But there is so much more you can do with the money you've been blessed to have – as well as with your time, talents and possessions. Let's explore five different ways you can make the world into a better place by paying it forward.

1. DONATE FUNDS TO YOUR FAVORITE CAUSE

The classic way to pay it forward can also be the simplest. Find a charity or two that speaks to your heart and make a donation that fits your budget. Ideally, it is substantial enough to make a difference, but any amount you are able to responsibly commit adds value and is appreciated. Be sure to verify the authenticity of the organization on a charity-vetting site like, BBB Wise Giving Alliance, Charity Navigator or CharityWatch. Don't forget to save your receipt so you can claim a charitable-giving deduction on your taxes.

2. COMMIT TO DO ONE RANDOM ACT OF KINDNESS EACH DAY

Kindness doesn't have to be big or loud to make a difference. It doesn't even have to be costly. Small things that mean a lot can really make someone's day. You can offer to make a coffee for your coworker, feed a parking meter that's about to run out for a stranger's car, remove a branch or rock from the middle of a busy thoroughfare or walking trail or let someone go ahead of you while at a checkout counter. There's so

much you can do when you look to give.

3. WRITE THANK YOU LETTERS

When was the last time you thanked your child's teacher for doing such a fantastic job on providing your child with an education? When was the last time you thanked your parents for giving you life, a happy childhood and their ongoing love and support? When was the last time you thanked your mail carrier? Pick up a nice set of thank you cards and spend 20 minutes writing thank yous to the people in your life; those who do so much for you, but aren't always thanked for it. Your letters will likely be cherished by the recipients for a long time to come.

4. DONATE YOUR TIME

Unfortunately, there are numerous people in this world who are suffering from sickness, poverty, loneliness, mental health challenges or other hardships. With just a small donation of your time, you can help alleviate some of their suffering. You can volunteer at a soup kitchen, help bring cheer to hospitals, offer to babysit for a couple who is going through hard times so they can have a night out to themselves or make a habit out of visiting a lonely person. You can brighten someone's day with your presence alone!

5. SHARE WHAT YOU HAVE

Aside from money and time, there are so many ways you can use what you have to bring cheer into someone else's life. You can donate clothing to Goodwill or gift a friend or neighbor with a full set of your child's outgrown clothing if it's still in great condition. Offer to lend out your books to your bookworm friends. Run a low-cost, or even

no-cost, yard sale for all the toys, furniture and other items in your home that you don't use any longer. Share your unused sports equipment with children who are less privileged than yours.

There are so many ways to pay it forward and make the world a better place. And when you give to others, you're really giving to yourself by learning how to be a better, kinder person.

Step 7: Pay Yourself First

"Pay yourself first" is a catchphrase that means prioritizing your personal savings above other expenses. Savings should not be an afterthought or an extra that only happens if there's money left over at the end of the month. Putting aside money should be a fixed line on your budget that happens every month without fail.

Here's how to successfully pay yourself first.

1. REVIEW YOUR SPENDING

Take a clear look at your spending. If you already have a budget, this will be as easy as reviewing the column that lists all of your expenses, including your discretionary spending. If you don't already have a budget, track your spending over several months to identify your primary expenses and to find the average amount of money you spend monthly. A budgeting app, like our MoneyDesktop app, can make this step super-simple.

2. SET SHORT- AND LONG-TERM SAVING GOALS

Before you start setting aside money each month, you'll want to have a clear picture of your saving goals.

Short-term savings, or funds you want to be able to access in the near future, if necessary, can be allocated to an emergency fund. Experts advise having three to six months' worth of living expenses set aside in an emergency fund in case of a sudden, large expense and/or loss of employment. Some people also build a rainy-day fund, or a slush fund that can be used to pay for anything at all, such as a spontaneous vacation or a large discretionary purchase

like a new phone.

Long-term savings should include funds you can afford not to touch for several years or more. Your long-term saving goals can include funding your retirement, as well as a downpayment on a home, a new car, a sabbatical from work or any other super-big expense.

Narrow down your short- and long-term goals until you have a realistic picture, then attach a number to each savings category.

3. SET A TIMELINE FOR EACH SAVINGS GOAL

Now that you have numbers for the funds you want to save, you'll need to determine a realistic timeline for meeting those goals. You'll want to give first priority to your emergency fund, but at the same time, it's best not to neglect your future, so start saving for retirement today. This allows time to let compound interest work its magic. To that end, you may want to allocate the bulk of your monthly savings to your emergency fund until you meet your goal. Once your emergency fund is full, you can divide your savings more evenly between your short-term savings and long-term savings.

While you work through this step, you may want to reach out to an HR rep at your workplace and/or your accountant to discuss your options for a 401k, IRA or another retirement plan.

4. CALCULATE HOW MUCH YOU'LL NEED TO SAVE EACH MONTH

You're ready to determine how much money you'll need to put into savings each month to reach your goals by their deadlines. Take your total for each goal, and divide it by the number of months in your timeline. For example, if you've decided you want to have an emergency fund of $24,000 set

up in four years' time, you'll divide $24,000 by 48 months to get $500. This is the amount you'll need to set aside each month to reach your goal in time. Do this for each of your goals.

As you work through this step, don't forget to account for any interest you'll accrue for your long-term savings. Also, remember to prioritize your short-term savings for emergencies and adjust your savings allocations once your emergency fund is set up. Without the funds to get you through an emergency, your savings can be depleted as soon as any unexpected expense crops up.

5. AUTOMATE YOUR SAVINGS

Once your savings plan is ready to go, it's best to make it automatic. You can set up a monthly transfer from your credit union checking account to your credit union savings account or money market. This way, your savings will grow even when you forget to feed them. Think of this money like taxes – it's not actually part of your take-home pay, because it gets skimmed off the top before it even hits your wallet. But unlike taxes, all of this money (and the dividends or interest it earns) will land in your pocket one day, with some extra, too!

6. MONITOR AND TWEAK AS NECESSARY

Life is dynamic, and your savings plan should be, too. If you find the system you've set in place is not working anymore, you can always tweak and come up with one that better meets your lifestyle. If you find that you're short on the funds you need for paying yourself first, consider trimming your discretionary spending in a budget category or freelancing for extra cash before lowering your monthly savings goal.

Congrats–you've mastered the art of paying yourself first!

Step 8: Know When and How to Indulge

Many people equate financial health with a life of deprivation, but this is far from the truth. In fact, living a life of true financial wellness means being happy with a lifestyle that is within your means, but does not leave you feeling like you are lacking. Like an overly restrictive diet, an overly tight budget is more likely to become broken.

On the flip side, financial wellness means spending your money wisely and learning how to treat yourself for less – or for free. It means money choices are governed by discipline, and not by emotion. And it sometimes means telling yourself 'no'.

How, then, do you strike a balance between the two?

Here's how to indulge responsibly.

LIVE WITH A BUDGET

The first step to financial wellness is knowing where your money is going and how much you actually have to spend. The best way to always have this information is to create and stick to a budget.

If you've been following all the steps to financial wellness until this point, you've already developed and live with a budget, so you know how to stick to it. Let's take a quick review of this crucial money management tool.

Create your budget by tracking your spending for three months. Make a list of all your expenses, including fixed, non-fixed and discretionary expenses, and list your income in a parallel column. Tally up your totals and assign a realistic dollar amount to each

expense. Going forward, be sure to only spend within the allocated amount for each expense category each month.

LEAVE ROOM IN YOUR BUDGET FOR "JUST FOR FUN" PURCHASES

As you work on building and sticking to a budget, be sure to leave room in your spending plan for the occasional treat. The exact amount will vary by income level, lifestyle and personal choice. However, choose an amount you can easily afford without feeling deprived.

To ensure you don't overspend in this area, you can borrow an idea from the money-envelope system and withdraw the designated amount from your checking account at the beginning of the month. Place this cash in an envelope and use it as necessary. When the money is gone, so is your "allowance" for pricey treats this month.

It's important to note that the indulgences referenced here are spontaneous buys, or small purchases that aren't part of your normal budget. Large purchases you have planned for and saved toward for months, or even years, are in an entirely different category.

REVIEW YOUR SAVINGS

Before giving yourself permission to indulge, make sure you are setting aside a percentage of your monthly income to savings. Savings should be an item line on your budget where short-term savings, like an emergency fund in a savings account, holds enough to keep you afloat for 3-6 months if you have no source of income. Long-term savings should be sufficient to support your retirement and any long-term savings goal you may have, like saving for a house or a luxury vacation. Set up a special savings account at MembersFirst for these.

CHOOSE YOUR "TREATS"

Everyone has their personal vices and their guilty indulgences. Take a look at where your non-discretionary money went during the last month or two. Highlight the more expensive impulse buys and hold them up to these questions:

1. *Did this purchase bring me happiness or positive energy the day I bought it? Did that feeling last until the next day? The next week?*
2. *Did this impulse buy blow my budget?*
3. *Does thinking about this purchase now fill me with joy, guilt or something else?*
4. *If I found myself in the same circumstances today, would I make that purchase again?*

The answers to these questions will depend on your personal set of circumstances and lifestyle. Use the insight you've learned about your indulgences to help you make better money choices in the future.

LOSE THE GUILT

Once you've decided how much you want to spend on indulgences you can afford, it's time to let go of the guilt. If you're spending responsibly and you've already fed your savings as well as your future, there's no need to eat yourself up over an impulse buy you could have done without.

As long as you're keeping these just-for-fun purchases within your budget, and your choices fill you with happiness or positive energy, you can still maintain your financial wellness.

Step 9: Build and Maintain an Excellent Credit Score

Your credit score is a crucial part of your financial health. The three little digits measure the capacity of your credit, the proficiency of your money management and your fiscal responsibility. An excellent credit score can open the door to large loans with better interest rates, as well as employment opportunities and more. On the flip side, a poor credit score can be a strong impediment toward building wealth, funding large purchases and finding gainful employment.

Let's explore the best ways to build and maintain an excellent credit score.

HAVE A FEW ACTIVE CREDIT CARDS

Many people mistakenly believe the path toward great credit includes the swearing off all credit cards. However, building and preserving a healthy credit score requires owning a card or two and keeping them active. If you're just starting out, consider signing up for a beginner's card, which generally features easy eligibility requirements and a modest limit of available credit. Otherwise, be sure you have a minimum of three open cards and that you use them on a regular basis.

To keep your cards active without having an open balance, you can pay one fixed monthly bill, such as a subscription or monthly membership fee, with each of your credit cards. Set up an automatic monthly payment to pay the bill using your credit card, and then set up an automatic monthly payment for the credit card from your checking account. Choose

to have the money transferred before the bill is actually due. This way, your cards will be open and active and you'll never have a late payment, which would negatively impact your credit score. Several months of using your cards responsibly will generally help move your credit score upward.

WORK ON PAYING DOWN DEBT

If you've landed deep in debt and can't find a way out, now's the time to work on kicking that debt for good.

First, choose your debt-crushing method: The snowball method works by putting all available funds toward paying off the smallest amount of debt first, and then the next-smallest, until all debts are paid off. The avalanche method works the same way, but pays off the debt with the highest interest rate first, and then the next-highest, until all debts are paid off. With the snowball method, you'll see results quicker, but may ultimately pay more in overall interest. Choose the method that works best with your personality, goals and lifestyle.

Next, list your debts. If you're going with the snowball method, list in order from lowest amount to largest. If you've chosen to use the avalanche method, list your debts in descending order of interest rate.

You're now ready to pay down those debts! Review your monthly budget to find a way you can trim your expenses, or look for a side hustle, and use the extra cash to maximize your payments toward the debt you're working on first. Keep at it until you're debt-free.

It may take a while to crush a mountain of debt, but showing the credit bureaus that you're on track to pay off that debt can do wonders for your score.

PAY YOUR BILLS ON TIME

Paying credit card bills when, or before, they're due is a major factor in determining your score. Carrying an outstanding balance, and/or owing lots of interest, shows that you are not timely with your bills and can't be counted on to repay loans responsibly. As mentioned, you can set up automatic monthly payments for your bills so you're never late. Just make sure you keep the account you are paying from well funded to cover your payments as they come out.

BRING DOWN YOUR CREDIT UTILIZATION RATIO

Another crucial factor contributing to your score is your credit utilization ratio. This refers to the amount of available credit you have and use. It's best to keep your utilization under 30%, or even 10% if you can. To that end, make sure you're using just a bit of your available credit each month. In addition, consider accepting offers for increased credit – as long as you know you won't rack up huge bills by having all that additional credit. If you're not great with controlling your spending, avoid this strategy.

Keeping an excellent credit score is a **key factor** in financial wellness. Use the tips outlined here to build and maintain a great score.

Step 10: Plan for Retirement

It's never too early – or too late – to start planning for your retirement. However, like all long-term savings goals, retirement should ideally be planned for as much in advance as possible. That's because the more time you allow for your savings to grow, the bigger the nest egg you'll be rewarded with when it's time to cash in on your funds.

Here's how to get started on planning your retirement.

SET A TARGET NUMBER

Before you start squirreling away money for the future, determine how much you'll need to have saved for living comfortably and independently throughout retirement. Experts recommend taking your current living expenses and multiplying that number by 400 to reach the amount you'll need for sustaining yourself based on a 4% return.

CHOOSE YOUR RETIREMENT ACCOUNTS

Next, you'll need to select a place to keep your retirement savings. There are many options to consider, some of which you may already have if you are employed. Here's a quick review of the two most common retirement accounts:

1. 401(K)

If you're currently or previously employed, you may already have a 401(k) that's collecting money for your retirement, and investing it so it can have an opportunity to grow. Take advantage of this retirement tool by maximizing

your contributions. Additionally, many employers will match a portion, or all, of your contributions, which is literally free money that will help your investments grow, tax-deferred!

2. IRA

An Individual Retirement Plan (IRA) is a retirement fund that allows your money to grow, tax-deferred. Like with a 401(k), some employers will match a portion of, or all, contributions. However, there are federal limits on how much you can add to your IRA annually. You can choose between a conventional IRA or a Roth IRA. A conventional IRA lets your money grow tax-deferred, but withdrawals are taxable. A Roth IRA does not feature tax-deferred growth, but qualified withdrawals are not taxed.

Presented in the table below is a brief summary of the pros and cons of each retirement vehicle for easy comparison.

Features	401(k)	IRA	Roth IRA
Allows Matching Funds	Yes	No	No
Tax-Deductible	Yes	Depends on income, tax-filing status and other factors	No
Tax-Deferred Growth	Yes	Yes	No
Taxable Withdrawals	Yes	Yes	No
Maximum Yearly Contribution (2023)	$22,500	$6,500	$6,500
Maximum Yearly Contribution Age 50+ (2023)	$27,000	$7,500	$7,500

After you've identified the retirement fund strategy that best works for your goals, you'll also need to choose somewhere to invest the money. Low-risk investment vehicles, such as federal bonds or trust funds, are usually the good choices.

SELECT A TARGET DATE FUND

If you are saving for retirement through the use of a 401(k), be

sure to check if your employer offers a target date fund. This refers to your planned retirement date. You'll know your employer offers a target date fund if there's a calendar year in the name of the fund, such as "B.K. Holdings Retirement 2055 Fund". Simply determine an estimated guess of the year you intend to retire, and then pick the fund with the date closest to your anticipated retirement date.

A target date fund is a smart choice because it spreads the money in your 401(k) across many asset classes, such as large company stocks, small-company stocks, bonds and emerging-markets stocks. Then, as you near the target date, the fund becomes more conservative, owning fewer stocks and more bonds, automatically reducing your risks as you near the date of your retirement.

With a bit of work and a lot of planning, you'll have your future secured in the best way possible.

Step 11: Start Investing

The world of investing can be vast and confusing, especially to a first-timer. There are so many decisions to make, and each one carries with it the risk of loss, or the promise of growth for your money. No worries, though; MembersFirst Credit Union can help! Here's how to start investing in five easy steps.

STEP 1: DEFINE YOUR TOLERANCE FOR RISK

If you're investing, you'll need to be prepared for the reality of potential losses. There is no such thing as a "sure thing." But how much losing can you take?

Determining your risk tolerance is an important way to ensure you're completely comfortable with your investment path. Your risk tolerance will likely vary according to your age and the time horizon you're working toward; your risk capital, or the amount of money you can afford to lose; and your investment objectives, or what you hope to gain through your investments.

2. DEFINE YOUR INVESTMENT GOALS

Why are you investing this money? Do you hope to save enough money for a down payment? Are you trying to fund your retirement? Do you plan to use this money to pay for your child's college education? Or, are you looking for a way to grow your money without any real plans for its ultimate use?

Identifying your investment goals will help you choose your investment vehicles and

the amount of money you're comfortable investing.

3. DETERMINE YOUR INVESTING STYLE

Next, you'll need to find an investing style that suits your personality and investing goals. Here are your basic choices:

ACTIVE MANAGEMENT– personally managing your investments. This can be a great choice for an investor who is confident in their knowledge of the market and can make decisions they won't regret. It's generally not a choice that's recommended to new investors.

BROKER/FINANCIAL ADVISOR– allowing an outsider to manage your investments. There are several kinds of brokers you can choose: Full-service brokers will charge a higher fee, but they will also manage every aspect of your investments, including estate planning, retirement planning, financial advice and more. Discount brokers will have lower fees, but offer fewer services. A financial advisor will make investment decisions, monitor your portfolio and make changes as deemed necessary according to your indicated risk tolerance.

ROBO-ADVISOR–an automated option that typically costs less than a traditional broker and works with your goals, risk tolerance level and other personal details.

4. CHOOSE YOUR INVESTMENT ACCOUNT

You're ready to choose your investments! Here are some options to choose from:

BONDS–a loan to a company or government entity that agrees to pay you back in a specified amount of years. You'll receive modest dividends until the bond

matures. Bonds are low-risk, but tend to offer lower long-term returns.

EXCHANGE-TRADED FUNDS (ETFS)–individual investments that are bundled together and traded throughout the day, like a stock. Share prices are relatively low, making ETFs a great choice for small budgets.

MUTUAL FUNDS–professionally managed pools of investor funds that focus their investments in different markets. Mutual funds are inherently diversified and can be a good choice for beginner investors.

STOCKS–a single share or a few shares in a specific company. If you'll be putting all your eggs in one basket, be sure to research your chosen company carefully.

5. LEARN TO DIVERSIFY AND REDUCE RISK

Once you've started investing, you'll need to monitor and adjust your portfolio on a regular basis for optimal performance. Most importantly, you'll want to make sure your portfolio is diversified, or that your funds are divided across different investments and classes. Diversifying helps reduce your risk of loss by ensuring that one poorly performing investment won't bring down your entire portfolio.

Getting your feet wet in the world of investing can be super-exciting, but daunting. Follow the steps outlined here to get started.

Step 12: Review and Tweak

Congratulations! You've reached the 12th and final step of the 12 steps to financial wellness. In this step, we'll review each of the previous steps and adjust this part of your financial health as necessary.

STEP 1: TRACK YOUR SPENDING

Are you being responsible in tracking your spending? You can do this with a budgeting app, by keeping a running estimate of how much you're spending in each category in your head or by reviewing your receipts and checking account statements at the end of each month. Knowing where your money is going will help you make more responsible spending decisions in the future.

STEP 2: CREATE AND STICK TO A BUDGET

Budgets need to be reviewed and tweaked every few months or so to ensure they still work for your present life circumstances. Fluctuations in consumer prices, your income and various life expenses need to be accounted for in your budget. If your budget no longer works for you, make some changes until it does again.

STEP 3: PAY DOWN DEBT

Take a minute to review where you are in your debt-paying journey. Have you made as much progress as you'd hoped to by this point in time? Can you beef up any payments and make that debt disappear sooner?

STEP 4: TALK MONEY WITH YOUR PARTNER

Have you had the big money talk with your partner? Are you remembering to touch base about money matters on a regular basis? Do you need to revisit any of the topics you've discussed, such as sharing accounts, dividing expenses and saving up for a shared dream?

STEP 5: SPEND MINDFULLY

Review some of your recent purchases. Are you blowing money on stuff you don't need instead of relieving stress and emotional overload in a healthy manner? If so, look for better ways to de-stress and remember to avoid temptation by disabling one-click purchases and staying away from stores that trigger your overspending impulse.

STEP 6: PAY IT FORWARD

The money, time and smiles we share are the only moments that are truly ours. Are you remembering to pay it forward? You can volunteer at a soup kitchen or homeless shelter, donate clothing to the less fortunate and help your favorite charity.

STEP 7: PAY YOURSELF FIRST

Are you remembering to feed your savings? Remember to prioritize having an emergency fund with three to six months' worth of living expenses. Once you have that funded, you can work on saving toward long- and other short-term savings goals by automating a monthly transfer from your checking account to your savings account. At this time, you may want to consider increasing the amount you are putting into savings each month by trimming some discretionary expenses.

STEP 8: KNOW WHEN AND HOW TO INDULGE

Living a spartan lifestyle without any indulgences can make you lose your budget–and fast! Instead, make sure you know when and how to indulge. Are you remembering to work your selected just-for-fun expenses into your budget so you can indulge without the guilt? Now is a good time to look back at your indulgences to figure out if they were good uses for your money.

STEP 9: MONITOR YOUR CREDIT SCORE

How are those three magic digits doing? If you've been following the rules for boosting and maintaining a high credit score, like paying your bills on time, having a few active cards and keeping your credit utilization low, your score should have improved during these last few months, opening the door to lower-interest loans and more.

STEP 10: THINK ABOUT RETIREMENT

Have you opened and furnished retirement accounts at work and beyond? Take the time to review these accounts and to assess whether your funds have reached the place you'd hoped they would by now.

STEP 11: START INVESTING

Have you taken the beginner steps toward investing? A crucial part of successful investing is reviewing your portfolio on a regular basis and adjusting as necessary. Make sure your investments are performing well and that your assets are diversified in the most optimal way.

STEP 12: REVIEW YOUR OVERALL FINANCIAL HEALTH

In this final step, you'll review

your financial health on a regular basis, just as you've done here. Don't forget to maintain each component of your financial wellness to keep it in top shape.

Reviewing your financial health on a regular basis is an important part of staying financially fit.

If you need guidance on any aspect of improving your financial wellness, schedule a few minutes with a Certified Credit Union Financial Counselor. The service is FREE to members!

Here's to GREAT financial health!