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SAVINGS VS. DEBT

Debt continues to sweep the nation. With student loan debt forever looming in the background, credit card debt is piling up fast for many Americans. The effects of the pandemic, which has been affecting us all since March 2020, have contributed to an increase of debt by 47% among those who have outstanding credit card payments, according to CNBC . With the panic of making timely, meaningful payments it can feel overwhelming that your savings is getting the short end of your paycheck. According to the Federal Reserve Bank of New York, Americans' total household debt has reached $15.24 trillion in the third quarter of 2021– a record high. Thoughts of financial stress flood our minds like how we are going to afford our current lifestyle and our future in retirement.

Putting off saving for retirement until you are debt-free could cost you your most valuable asset: **TIME**. With the power of compound interest, even small contributions to your retirement plan can grow significantly over the years.

Starting out small, even 2% today can help establish financial security for your future in retirement.

Don't know where to start? Outlined below are some initial steps in helping you recover from debt and work towards financial security for your future.

1. Identify bad spending habits: In order to tackle your debts, you are going to need extra cash flow. Identify where you can cut spending. Bringing your lunch to work or unsubscribing from those unused subscriptions are a couple ways to get started. Even the smallest cuts can help you towards your long-term goals.

2. Set up an emergency fund: When unexpected expenses like a job loss, medical bills, or car repair come up, you can have peace of mind knowing you can cover the costs without going into debt. A good rule of thumb is to have 3 – 6 months of expenses saved.

3. Pay at least the monthly minimum: Paying the monthly minimum on your debts is necessary to avoid penalties and added fees. There can also be longer term consequences as well, like a drop in your credit score or even the potential for bankruptcy.

4. Prioritize by interest rate: After paying the minimum on each debt, pay more than that on debts with higher interest rates. This will save you large payments in interest down the road. Credit cards tend to have the highest interest rates.

5.Consider refinancing / consolidating: For debts like student loans or mortgages, you may be paying more interest than you should. Search for lenders and their current offerings for refinancing. By doing so, you may reduce your monthly payment AND the period of the loan.

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SOURCES

[1]https://www.cnbc.com/2021/09/27/42-percent-of-americans-have-increased-their-credit-card-debt-during-covid-19.html

[2]https://www.newyorkfed.org/microeconomics/hhdc

IMPORTANT DISCLOSURE INFORMATION

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