

Set Milestones On Road to Financial Security

The road to financial security, like many long journeys toward important goals, can be filled with ups and downs. The financial markets can be volatile, shaking up your short-term investment results, and illness or downsizing may temporarily disrupt your career – and your earnings. In fact, just 46% of adults feel financially stable, according to a survey by Morning Consult and Edward Jones. Still, there's much you can do to gain stability – and you can chart your progress by marking three important milestones:

- *Building a foundation* – You need to base your financial stability on a strong foundation, which means you must start accumulating the necessary resources. Start by creating an emergency fund, which can help you deal with unexpected costs, such as an expensive car repair, without taking on additional debt. Try to put away anywhere from about \$500 to one month's worth of living expenses, with the money kept in a liquid account – one that's separate from an account you use for your everyday spending. Later on, you'll want to expand this emergency fund, but, for now, even this amount can help.

You can also take other steps to build your financial foundation. Try to put in enough to your health savings account (HSA) and your 401(k) to earn your employer's matching contribution, if one is offered. And if you can, pay down high-interest, nondeductible debts.

- *Gaining stability* – Continue to build on the momentum from the "foundation" milestone by ramping up your savings and investments. For starters, build your emergency fund so it contains one and a half to two months' worth of living expenses. Also, set a goal to save perhaps

10% to 15% of your gross income, including employer matches, in your 401(k) or similar retirement account. If you can't reach this level yet, do the best you can now and increase your contributions over time, as your salary goes up. If the monthly debt payments are straining your budget, consider paying them down even if they have lower interest rates.

- *Reaching independence* – The final milestone toward achieving financial stability is marked by a feeling of independence – knowing you are taking the steps necessary, and putting a strategy in place, to allow you to reach your financial goals.

Work to build a full three to six months' worth of expenses in your emergency fund, which will offer even greater protection against being forced to tap into long-term investments, such as your IRA and 401(k), to pay for unanticipated expenses. Plus, having a sizable emergency fund gives you room to consider making moves such as taking a sabbatical, switching careers or taking time off to care for a loved one.

And, while you're still working, save enough for the type of retirement lifestyle you desire. Even though your debt may be manageable at this point, it may still be source of stress. If so, continue paying it down. The less you owe, the more you can put away for retirement.

Achieving these milestones can help you gain the financial stability and flexibility to live life on your terms.

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