

4 Financial Goals for Everyone

Personal finance can be confusing. Many consumers aren't sure where to start when planning for their financial future. Long-term financial goals may vary for consumers based on future hopes and dreams but there are still some basic targets that apply to everyone. Here are 4 financial goals that help consumers build financial stability.

1. Live within your income. Sound simple? In many Arkansas households, consumers spend more than they earn. This usually means there is revolving debt – credit cards. The problem with carrying credit card debt from month to month is that interest continues to build. Here's an example: A \$3,000 balance at 14.4% interest with a \$90 minimum payment would take 11 years to pay off and you would pay more than \$1,500 just in interest. Another concern with living month-to-month is that there is no safety net or plan for unexpected expenses. Record income and expenses to create a monthly spending plan.

2. Build an emergency fund. An emergency fund is your safety net for times of crisis or unexpected expenses. Life happens – cars break down, kids get sick, people lose jobs. An emergency fund helps to keep you financially stable during times of crisis. If you're just starting to build your emergency fund, set your goal at \$500-\$1,000. Eventually, you should aim for a fund large enough to cover two to six months of expenses.

3. Keep adequate insurance. Maintain adequate amounts of auto, home, and health insurance. Without adequate insurance, a crisis could leave you thousands of dollars in debt and possibly even lead to bankruptcy. Become familiar with terms used in insurance policies so you'll know what to look for in benefits. Comparison shop for the best rates on a policy that has all of the features and benefits you need.

4. Increase your credit score. Consumers with the best scores receive the lowest interest rates on car and home loans. This can save thousands of dollars over the life of a loan. For example: Financing a \$150,000 home with a 30 year fixed rate mortgage at an interest rate of 4.5% would result in \$123,610 in interest over the life of the loan. With a 3.5% interest rate, you would pay \$92,484 in interest. You would save a total of more than \$30,000.

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