

Healthy Habits



Healthy Financial Habits

Whether you want to become debt-free, increase your savings, or retire early, healthy financial habits don't happen overnight. If you are ready to start changing your financial future, here are a few tips to get you started!

1. **Live within your means** – This is probably the most important step in developing good financial habits. While it may not be easy to execute, it's easy to figure out. If you bring home \$2,500, you need to spend less than that. A lot of these other habits expand on doing this one behavior.

Maybe you have some areas you can reduce your spending to help you do this task. Do you need a landline and a cell phone? Do you need Netflix, Hulu, Amazon Prime, and still have cable? Maybe not.

2. **Save, save, save** –
 - Use your 401(k), especially taking advantage of any company match.
 - Every time you get a raise, increase your withholding by 1% until you get to the max.
 - Open an IRA, money market, and/or savings account. Have the funds taken directly from your check or checking account.

"Don't save what is left after spending; spend what is left after saving." – Warren Buffett

3. **Budget, budget, budget** – For at least one week, track everything you spend. You might be surprised how much money you are "wasting" on things you don't really need or even want. You can identify areas where you can cut back. Maybe you start packing a lunch or learn to cook so you don't go out to eat as much. There are many free budgeting apps to help you get started.
4. **Have a spending allowance** – When you create a budget, give yourself a set amount of money for entertainment and casual spending. Start out with an amount and gradually reduce it to a number you can live with without having to be a hermit or sacrificing your financial freedom.
5. **Impulse buying** – Once you start tracking where your money goes, you can start figuring out where not to spend it.
 - Don't take your credit card shopping, and only spend what you can with a debit card or cash.
 - Stop clicking on every social media ad. Do you need 10 similar dog t-shirts or 7 low-carb dessert cookbooks? I doubt it.
 - Say "no" to yourself. Use the *72-hour rule* (especially with online shopping). If you still need to buy it in 72 hours, then go back and purchase it.
 - Don't buy things just because they are on sale or don't cost much.

Once you go a few months only buying what you need, you should have extra money to save, save, save.

6. **Pay bills on time** – Late fees and credit card interest are basically like throwing your money away. If you can't pay your credit card in full each month, review what you are purchasing with that card. Do you really need everything you are purchasing? Also, consider consolidating bills to a 0% interest credit card to help reduce your debt faster.

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7. **Shop around** – Insurance, investment fees, electronics, household goods, etc., it doesn't matter what it is. Do some research to be sure you are getting the best price for a good product. Don't just buy the most expensive because you think it will be the best. The Internet has reviews on everything, and you will find the most expensive is not always the best.
 8. **Create an emergency fund** – Taking a loan from your 401(k) is not the way you should pay for an emergency. Ensure you have at least three months of living expenses for unexpected incidents that may happen, such as having to replace a broken furnace in the middle of winter. Also, set up a plan to replace any funds you do use.
 9. **Create goals** – Want to go to Hawaii for a special birthday? Want to purchase a new car instead having to buy used? Want to remodel your home? Have a special account just for those goals. Put it at a separate bank if you need to so you know not to touch the money until you reach your goal.
 10. **Repair instead of replace** – Do you need a new car or just need a new part for your older car? Most of the time car repairs cost less than a payment for a new car. Save the money you would use on a car payment to use for those repairs or toward one of your goals. Example: A new car payment would be \$500, but the car repair is \$250. Save the remaining \$250 so you can have a larger down payment when you *need* a new car or save it for one of your other goals.
 11. **Love it or list it** – Home renovations may cover your changing family's needs instead of buying a larger, more expensive home. As your income goes up and your mortgage costs stay about the same, you have more funds to save toward your goals.
 12. **Get a side hustle** – Declutter your home and sell unwanted items online, start a blog, or sell that jewelry you've just been making for friends and family. Use that extra money to pay down debt or to save toward your goals.
 13. **Use available resources** – BenefitHub—*caterpillar.benefithub.com*—has a variety of employee discounts in an array of categories—everything from student debt consolidation to groceries. You can also earn cash back from most of your purchases. Zebit on BenefitHub is also a good way to make large purchases over time interest-free.
- Also, check out the Financial Fitness Academy available to Caterpillar employees. You can take a quiz to assess your financial behavior, get personalized recommendations, and get help with financial tasks. Log onto *caterpillar.financialfitness.academy*.
14. **Start early** – The most important thing is to just get started; the sooner the better! Even if you can only do one or two of these habits to begin, do something. The longer you wait, the harder it will be!

Source: Good Financial Cents (www.goodfinancialcents.com)

For even more tips and help with your financial habits, check out these online resources:

Good Financial Cents – www.goodfinancialcents.com

NerdWallet – www.nerdwallet.com

The Penny Hoarder – www.thepennyhoarder.com

Bank of America – bettermoneyhabits.bankofamerica.com