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FIVE FUNDAMENTALS OF FISCAL FITNESS

1

Pay Yourself First – Savings and Retirement

Save at least 10% (ideally closer to 15%) of your annual income, including retirement savings. Begin by saving a liquid cash reserve. Once you have achieved sufficient liquidity, direct savings toward balancing and building your portfolio. Take advantage of tax-deferred savings plans, especially if your employer matches contributions.

2

Have Sufficient Liquidity

Most wage earners should have 10% of their annual income in a primary cash reserve and another 20% in a secondary reserve. Self-employed and retired individuals should build their cash reserves to an even greater level.

3

Learn the difference between bad debt, good debt, and acceptable debt

Avoid the bad (i.e. carrying balances on credit cards), take advantage of the leveraging power of good debt (i.e. mortgages, business loans), and use the acceptable wisely (i.e. student debt).

4

Own the Right-Sized Home

For most middle income Americans, their home is the most significant financial investment they will ever make. Buy a home worth 2 or 2-1/2 times your annual income, with a mortgage of 50% or more of its value.

5

Invest in Your Career

For many individuals, the biggest asset in their portfolio is their human capital – their ability to use their skills, experience, and talent to earn income throughout their lifetime. Continue to invest in your human capital to enhance your earning potential.

HOW ARE YOU DOING?

Fundamental	Grade A to F	Notes
#1: Pay Yourself First – Savings and Retirement		
#2: Have Sufficient Liquidity		
#3: Pay Off All Credit Cards and Consumer Debt		
#4: Own the Right-Sized Home		
#5: Invest in Your Career		