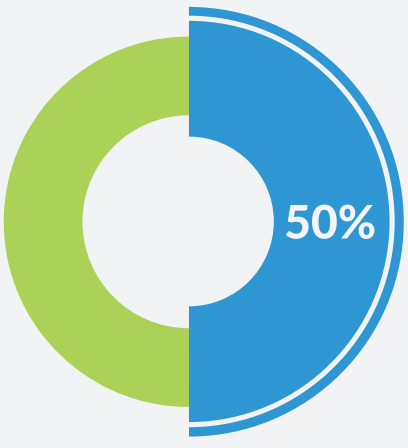
YOUR FINANCIAL READINESS

UTILIZING THE 50 | 15 | 5 PLAN

If you want a simple budgeting guide that focuses heavily on savings, then the 50|15|5 plan might be your best option. The power of this plan is the focus on savings and setting essential expenses limits but doesn't require day to day tracking.

Where should your money go?

50% Essential Expenses



BASICS OF THE PLAN

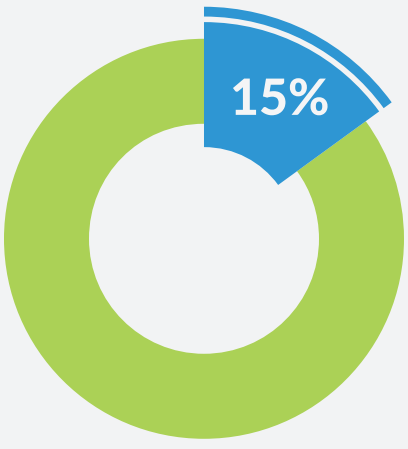
50% of take home pay for essential expenses

- **Housing:** mortgage/rent, property tax, utilities and dwelling insurance
- **Food:** grocery only, no restaurant meals
- **Health Care:** out of pocket expenses
- **Transportation:** car payments, gas, insurance, parking, maintenance and redesharing/commuter fares
- **Child Care:** daycare, tuition and fees
- **Debt Payments:** student loans, credit cards, other obligations

TIPS FOR REACHING THE 50% TARGET

- Control your heating and cooling costs
- Shop with a list at the grocery store
- Combine trips or carpool to save on gas

15% Retirement Savings



BASICS OF THE PLAN

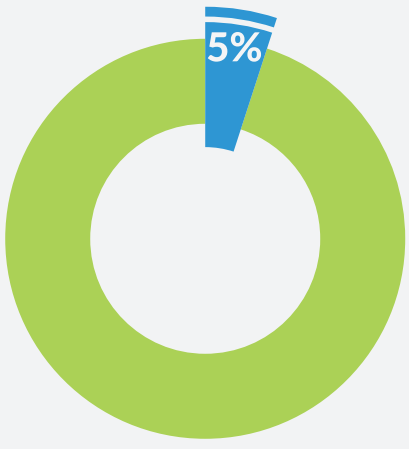
15% of pretax income for retirement

- **Matching:** include employer match amounts when setting your contribution amount
- **401k:** maximize 401k contribtions first before saving in other retirement accounts
- **Catch-Up:** if over 50, utilize catch-p liimits and go over 15% if possible
- **IRA/SEP:** if self-employed use IRA or SEP programs
- **Risk:** make sure you are taking an appropriate amount of risk

TIPS FOR REACHING THE 15% TARGET

- Meet your employer match asap
- Signup for the auto 1% increase
- Allocate part of raises and bonuses

5% Short-Term Savings



BASICS OF THE PLAN

5% of take home pay for short-term savings

- **Restricted Use:** use only for unexpected expenses, not for spending sprees or vacation
- **Health Savings:** use your health savings for medical expenses if you can't cover out of your regular spending
- **Emergency Fund:** goal is to have a fund to cover at least 6 months of expenses
- **Replenish:** quickly replenish after using the funds
- **Debt Payments:** increase the percentage as you pay off debts

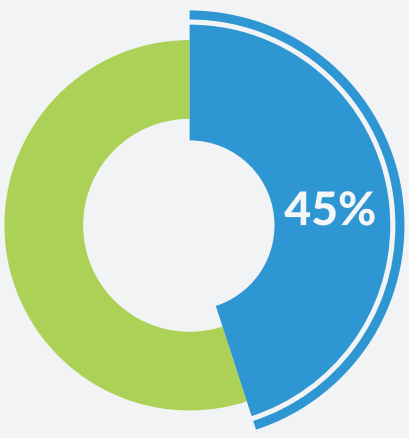
TIPS FOR REACHING THE 5% TARGET

- Use automatic transfers
- Allocate a portion of your raise
- Find the funds by reducing other expenses

What's left of your take home pay?

100% Take Home Pay - 50% Essential Expenses - 5% Short-Term Savings = 45%
15% for Retirement is pre-take home pay

45% Unrestricted Use



BASICS OF THE PLAN

Use the remaining 45% as you wish

- Entertainment, eating out and indulgences
- Travel, gifts, clothing and personal care
- Saving for education, weddings or other major expenses
- Accelerating loan payoffs
- Following the retirement and savings recommendations ensure you payyourself first before spending

Why it works.

- Easy to implement because only 4 categories
- Doesn't require weekly or monthly tracking
- Easy to adjust if you want more for saving or retirement
- Provides guidance on how much house or car to buy

Learn more by visiting the **Financial Readiness** section of FORUM Credit Union's YouTube Channel.