



The Five Financial Questions You Need to Know

Every household has a different financial situation, but regardless of your circumstances, there are five important financial questions you need to address.

- 1** How much money should I save?
The rule of thumb is 10% of each paycheck should be put into a savings account for unexpected expenses and other savings goals. You should also contribute to your retirement savings. If your employer matches your contributions, strive for 5% of your income. As you get closer to retirement age, 20–30% of your income is ideal.
- 2** How much debt should I have?
The ideal answer is none, but borrowing money for important purchases like a home are to be expected. Most financial experts recommend 36% or less of your gross monthly income should be toward debt payments.
- 3** How much home should I buy?
The ratio of debt-to-income ratio of 36% applies here as well. After subtracting out your other debt, you should be left with a monthly payment that should be suitable for your budget.
- 4** How much money will I need for retirement?
Financial experts suggest that you should plan on having 75–80% of your pre-retirement annual income available during your retirement years. However, this figure can come down a bit if your home is already paid off.
- 5** How big should my emergency fund be?
An emergency fund is used when you have an unexpected loss of income or financial emergency. It is recommended that you have three to six months worth of expenses available.

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