

Managing Your Debt and Budget

Debt management and budgeting starts with understanding where your money goes. Here are some hints to getting it done, once and for all.

Establishing a budget in three easy steps:

- 1. Keep track of all your expenses for a month.** This includes not only big items like mortgage and utility payments, but everything you spend money on.
- 2. Categorize your expenses into essentials and discretionary.** There are expenditures that you can't live without (the essentials), such as housing costs, food, car payments, and utility costs. You may find that there are a number of items that are nice to have (discretionary) that may offer opportunities to save.
- 3. Establish your budget.** If you feel as though you are not saving enough, try to cut down on the "nice to haves" that you can live without. This way you'll have some money left over for saving and investing, or for paying down debt.

Ways to make your money work

Pay down debt. Paying down debt is another important piece of the foundation to building your plan. The most common example of debt is high-interest credit cards. Wouldn't you rather take the interest you pay on credit cards and put it into your child's college fund, save it for retirement, or even add it to a down payment?

Have an emergency fund. It's important to plan for the unexpected and to have three to six months of living expenses set aside to cover short-term expenses such as an unexpected repair bill, living expenses in the event of unemployment, or extra college costs. Your emergency fund should also be in a relatively safe place—for instance, in a short-term investment or money market account.

ACTION PLAN

- Identify your goals.
- Create a budget.
- Create a plan to pay down your debt.
- Start saving for your emergency fund.

Tips to keeping good credit

- Stay under 20% of available credit on your credit cards.
- Don't spend money you don't have.
- Don't open and close credit card accounts often.
- Notify creditors of any changes.
- Use caution when transferring balances.

Monitoring your credit*

There are some important differences between your credit report and credit score. Your credit report is a detailed look into your current and recent credit history, while your credit score is an evaluation of your credit history based on that report.

Credit Report

A credit report includes the account history information you might expect, along with your employment and personal information (among other things). More than one credit report company or bureau keeps records on you as well. These include Equifax®, Experian®, and TransUnion®.

Credit Scores

When lenders decide whether or not to give you a loan or extend credit, they look at your credit score. Your credit score is a number evaluation that lenders use to gauge creditworthiness. Your credit score can affect your credit limit, loan amount, interest rate, and loan terms.

WEB SITES WHERE YOU CAN REQUEST CREDIT REPORTS AND CREDIT SCORES:

Equifax: www.equifax.com

Experian: www.experian.com

TransUnion: www.transunion.com

Seven steps to financial fitness

1. Change the way you think about money.
2. Track your expenses monthly.
3. Create a budget—and stick to it.
4. Craft a realistic plan to pay down debt.
5. Establish an emergency fund.
6. Use the money you save on debt to increase your workplace savings plan contributions.
7. Don't stop saving!



*Source: Free3BureauCreditReport.com, 2013.

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