Itasca Bank & Trust Co.
Together we'll shape the future
FINANCIAL PLANNING CENTER

Seven Ways to Financial Freedom

1. Review your current cash position. Everyone should consider maintaining an emergency fund equal to 3-6 months of recurring monthly expenses. These emergency funds should be held in safe, liquid vehicles like CDs and money market accounts.

2. Build and maintain a household budget. Determine how much money is coming in and, more importantly, how much is going out. Look for ways to cut back on unnecessary expenses, but don't be too hard on yourself; reward your discipline with a treat once in a while. The number one reason people give up on their budgeting is that they start out too strict and give up in frustration too soon.

3. Review your personal debt. Debt can be classified in two ways-good debt and bad debt. "Good debt" is tax deductible and allows the borrower, through leverage, to invest in appreciating assets (like a mortgage or home equity loan that is used to buy or improve real estate). "Bad debt" is not tax deductible and usually carries a higher interest rate (e.g., credit cards). These rates can reach 25% or more per year! Your first debt goal should be to reduce or eliminate the bad debt. This strategy can save you thousands of dollars over time. Assuming a household has $10,000 of credit card debt, just making the minimum payment at current interest rates could take as long as 40 years to pay off the balance! You should also consider refinancing your mortgage or home equity loan if the savings justify the costs.

4. Check your credit report (www.annualcreditreport.com). The credit reporting industry provides consumers with the means to request a free credit report once every 12 months from each of the three major credit reporting companies: Equifax, Experian and Trans Union. Contact creditors and the reporting agencies to clean up any credit problems you find. Generally speaking, the higher your credit score, the lower you will pay for loan interest rates and insurance premiums.

5. Check your insurance coverage. Having the right amount of homeowners, auto, health, life, and long -term care insurance is extremely important. So is not paying too much for it! Review your needs carefully and compare different companies. Our Financial Planning Center can help.

6. Have a long-term outlook. If you are participating in an employer-provided retirement plan (such as a 401k, 403b or Simple IRA), try to maximize your contributions, especially if your employer provides a matching contribution. If you are concerned about your retirement, talk to us. We are happy to help.

7. Maintain a proper balance in your overall investment portfolio. Markets continually go through ups and downs, so it makes sense to review your investments on a regular basis. Go over your goals, both long-term and short-term, and make changes as necessary. Contact us if you need help.