Budgeting - Are you Living Beyond your Means?

As a Credit Union, we are committed to providing products, services, tools and resources that will help our Members reach their financial goals and remain financially stable. With that said, are you doing your part or are you living beyond your means? Below are four (4) points that everyone should evaluate to ensure they are on the right path to a financially stable future.

1. Could you survive financially without your job for at least six months?

Everyone should have an emergency fund. It's better to have one and not use it then need one and struggle to live comfortably. Typically, the rule for an emergency fund is to have enough cash to cover all your expenses for at least three (3) months, but six (6) months is ideal. This "rainy day" fund is normally used when one loses their job, but could also be used for major medical expenses or unforeseen home repairs. So think about two things: how much would you need to cover your expenses if you were out of a job for six months and do you think you would be able to secure another job in that amount of time?

2. Do you save less than 10% of your pay?

If you are 25 years old and are still trying to kick start your career, you may not be thinking of retirement savings. You probably have no plans on retiring for at least another 40 years, but that does not mean you don't need to think about your retirement savings plan. General rule is if you're not savings at least 10% of your income from the age of 25, you're not saving enough. Start planning now for a comfortable future.

3. Has your credit card balance remained the same for the past year?

If your credit card balance has remained the same or even grown in the past year, that is a indicator that you do not have the means to pay down your debt. Also, keep in mind that items you would typically purchase using a credit card are depreciating assets like electronics, vacations, household décor, etc.

4. Do you use one credit card to pay another's balance?

It's one thing to have a plan in place which involves making a balance transfer from a high interest card to a lower interest card. This will save you money in the long run and hopefully allow you to pay off your credit card debt quicker. However, if you use one card to pay off another and have no plan to pay it down, this is an indicator that you may be living beyond your means and are borrowing from Peter to simply pay Paul. Without a plan to pay down debt, it can all be a vicious cycle.

For other indicators that you are living beyond your means, check out the full Yahoo! Finance article: http://finance.yahoo.com/blogs/the-exchange/signs-living-beyond-means-165333552.html

If you have any questions, call Align at **800-942-9575.**