



YOUR GUIDE TO SAVING SMARTLY

THE FIVE GOLDEN RULES FOR BUILDING WEALTH



INVESTORS ASSET
MANAGEMENT

You know you should be saving for retirement. But how do you actually do it?

After 30+ years in the investment business, we at Investors Asset Management have learned ALOT and developed five time-tested principles for retirement planning.

We now want to share them with you! Here are the Five Golden Rules for Building Wealth.

Realistically, you will build more wealth if you do all five. If you aren't doing any, then starting with at least one could put you on a different path.





Golden Rule #1: Start with your "why."

Starting or continuing a path to financial wellness is not always easy. Money habits run deep – they are instilled in us from our childhood and get ingrained as we manage – or don't manage – or finances we become adults.

Your journey most likely won't go very far without knowing your reasons for doing so. Maybe you've been a little reckless with your spending and want to reign in your impulse buys. Or perhaps you're on a debt repayment plan and are determined to knock out your credit card debt as quickly as possible. Or it could be that while you're generally good with your money, you're not making great headway on some of your long-term goals, such as buying a house or paying off your student loans.

Whatever your reason, starting with having a crystal-clear reason for why you want to go through the initial work and trouble of creating a budget will give you focus.

Before you start taking steps, ask yourself, "Why am I doing this?" And keep in mind, the deeper you go, the more effective your reasons will be.

For example:

"I want to become debt-free" is a good reason to budget. But why do you REALLY want to become debt-free?

"I want to become debt-free so I never have to experience the anxiety and stress of living paycheck to paycheck ever again," is an even better reason.

When you're looking for your why, don't stop at the surface layer. Dig deeper. Think of all the slightly hidden motivations that brought you to this point. When you connect those feelings and desires to the budgeting process, you'll find it's much easier to stick to the plan.



Golden Rule #2: Pay down high-interest debt, if applicable.

In more ways than one, debt can be a four-letter word. Debt can feel overwhelming, especially when you have debt on multiple credit cards. With these strategies you can take control, to know you're making progress in paying off your debt and save money on interest.

When debt takes control of your life — whether from medical bills, shopping sprees, or unexpected emergencies — it becomes an unwelcome visitor that affects your emotional and physical health.

Although it might feel overwhelming, you can tackle any debt the same way: one step at a time. It would be nice if there were a simple formula that could answer that question, but it isn't quite that easy. It all depends on your financial goals, your attitude, and the types of debt that you have.



Here's a quick look at three popular strategies for paying off debts and how to choose the one that's right for you.

Strategy #1: Pay down the debts with the highest interest rate first. The most efficient way to pay off your debt is by focusing on the interest rates. The idea is that by eliminating high-interest debt first, you'll pay the least amount of money overall.

Here is an example to put this in perspective. Imagine you have the following debts to pay off:

- Mortgage: \$200,000 with a 4.25% interest rate
- Credit card 1: \$15,000 with a 24% interest rate
- Credit card 2: \$3,000 with an 18% interest rate
- Student loan: \$10,000 with a 15% interest rate

In this example, you would start with credit card #1 because it has the highest interest rate, then pay off credit card #2, then the student loan, then the mortgage.

The downside to this strategy is if the debt with the highest interest rate also has a large balance, it could take you a long time to pay down. This may discourage some people and cause them to give up on the strategy. If you think this could impede your motivation, the next strategy may be a better fit.

Strategy 2: Pay down the debt with the smallest balance first. In the previous example, this would mean paying credit card 1 first, then credit card 2, student loan, and mortgage -- in that order. While you might pay more in interest over time, you will also pay off loans more quickly and gain a sense of control over your debt.



Golden Rule #3: Keep short-term savings in a separate, high- interest savings account.

A good rule of thumb is to have enough savings set aside to cover three to six months of essential expenses. One way to think of it is like a regular bill every month until there is enough built up for this.

Interest rates are very low right now, but there are some financial institutions still paying nominal interest (which is better than nothing).

[Bankrate.com](https://www.bankrate.com) publishes monthly snapshots of a variety of banks and their savings rates.



Golden Rule #4: Start as soon as you can and contribute as much as you can to your investments.

The more time you have to grow your retirement funds, the better. Remember the compounding interest lesson from middle school math? Even if the initial contributions are small, the amount will accumulate over time.

Here are a few examples of how compounding interest works as a refresher (assuming a 7% return each year).

- If you save \$200 dollars a month for 30 years, you could have **\$243,944!** BUT If you save \$200 dollars a month for 15 years, you could only have **\$63,392.**
- If you save \$500 dollars a month for 30 years, you could have **\$609,985!** But, If you save \$500 dollars a month for 15 years, you could have only **\$158,481.**



Some people think they have to wait for a milestone – waiting until you own a house or when you start a family. However, doing this can cause you to miss out on years of the compounding interest and set you back in your retirement goals.

Everyone's financial goals are different, but a general rule of thumb is to contribute as much to your retirement as you can, The average savings should be between 10% and 20% of your pre-tax income.

Also, as a note - there are competing demands for your money, whether it is deciding to pay down student loans or save for a house. There might be circumstances where saving isn't possible - each person's circumstances are different, which is why the rule is to contribute as much as YOU can.



Here are a few examples to make this point (each assuming 30 year savings and a 7% return):

- **\$50/month = \$61,000**
- **\$200/month = \$243,944**
- **\$500/month = \$609,985**
- **\$1000/month = \$1,212,876.50**
- **\$2000/month = \$2,425,752.99**



Golden Rule #5: Stay invested, especially in declines.

When the markets decline, it is tempting to pull your money out as you watch the balance decrease. Volatility is to be expected – and planned for - in the market. According to JP Morgan's 2019 Successful Strategies for Long Term Investing:

The markets endured double digit declines in 22 of the last 39 years, but ended those years with positive returns 75% of the time.

AND

Six of the US market's 10 best days occurred within two weeks of it's 10 worst days.

So, what does this mean?

If you had tried to time the market and pull your money in and out of your investments, you would have to be right twice – once, when you pulled your money out, and again when you put your money back into the market.

You are very likely to miss out on the upside trying to do this, which can be devastating to your portfolio. Use discipline and keep your head (and your money!) in the game so you don't miss the rebound.





INVESTORS ASSET MANAGEMENT OF GEORGIA, INC.

www.investorsassetmanagement.com

7000 Peachtree Dunwoody Road
Building 9 Suite 200
Atlanta, Georgia 30328

Phone: 770-394-5619

THIS IS NOT INTENDED TO BE A SOLICITATION, OFFER OR SALE OF SECURITIES PRODUCTS OR INVESTMENT ADVISORY SERVICES TO ANYONE WHO RESIDES OUTSIDE OF THE UNITED STATES. INVESTORS ASSET MANAGEMENT IS REGISTERED AS AN INVESTMENT ADVISER WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION. THIS HAS BEEN PREPARED SOLELY FOR INFORMATION PURPOSES AND IS NOT AN OFFER TO BUY OR SELL ANY SECURITY OR INSTRUMENT OR TO PARTICIPATE IN ANY PARTICULAR INVESTMENT STRATEGY.

