



Understanding Credit

In today's world, credit is integrated into everyday life—it is borrowed money that you can use to purchase things you need when you need them and then repay the funds back at an agreed-upon on time.

Services such as cable and telephone can be paid for on credit. For example, if you use telephone or cable services for a month or two and then pay for them at the end of that period, you are receiving services on credit.

A personal line of credit allows you to have money available when you need it. This often has a low interest rate, and the borrower can choose to use the entire credit limit at once or in smaller increments. This can be perfect for meeting ongoing credit needs such as renovating your home. A personal line of credit for an approved amount means that you do not have to keep going back for approval for each small amount you want to borrow on credit.

Credit cards allow a constant line of credit to spend and pay off regularly. You usually do not have to pay any interest as long as you pay the full amount by each due date. Before you spend using a credit card, you should be sure you can repay the amount on time, as some credit cards can have very high interest rates.

Mortgages allow you to buy a house and then pay back the amount owed at regular intervals. Mortgage payments amounts may vary. There are many different kinds of mortgages available with varying types of repayment plans.

- **Single-Payment Credit:** Items and services are paid for in a single payment, within a given time period, after the purchase. Interest is usually not charged:

- Utility companies
- Medical services
- Retail stores

- **Installment Credit:** Merchandise and services are paid for in two or more regularly scheduled payments of a set amount. Interest is included. Money may also be loaned for a special purpose, with the consumer agreeing to repay the debt in two or more regularly scheduled payments:

- Car and appliance dealers
- Commercial banks
- Consumer finance companies
- Savings and loans
- Credit unions

- **Revolving Credit:** Many items can be bought using this plan as long as the total amount does not go over the credit user's assigned dollar limit. Repayment is made at regular time intervals for any amount at or above the minimum required amount. Interest is charged on the remaining balance:

- Retail stores
- Financial institution credit cards

Advantages of Credit:

- Able to buy needed items now
- Don't have to carry cash
- Creates a record of purchases
- More convenient than writing checks
- Consolidates bills into one payment

Disadvantages of Credit:

- Interest (higher cost of items)
- May require additional fees
- Financial difficulties if one loses track of how much has been spent
- Increased impulse buying may occur

Credit Report

A credit report contains all the information in your credit file that could be provided to a third party, such as a lender. A credit report also includes a record of everyone who has received a consumer report about you within a certain period of time ("inquiries"). Credit reports are typically generated from one of the three major credit bureaus: Experian®, TransUnion®, and Equifax. You are entitled to receive a disclosure copy of your credit file from a consumer-reporting company under federal law and the laws of various states.

A Credit Report Contains:

Identification and employment data

Public-record information 

Payment history

Inquiries

A Name, birth date, Social Security number, addresses (present and former), and employment history.

B Events that are a matter of public information related to creditworthiness, such as bankruptcies, foreclosures, or tax liens. An example: record of a dispute between the consumer and an appliance dealer that was settled in a small-claims court.

C Account record with different credit grantors, showing how much credit has been extended and how it has been repaid.

D Credit bureaus maintain a record of all credit grantors who have checked a credit record within the past six months. Credit bureaus typically do not include credit pre-screening inquiries in credit reports, but will provide them to consumers as a part of disclosure. Pre-screening occurs when, for example, credit bureaus enable issuers of credit cards to develop mailing lists to make pre-approved offers of their credit cards.

NOTES

What is a Credit Score?

When it comes to your personal credit history, it pays to know the score. That's because many lenders—even some insurance companies—make decisions and charge rates based on your credit score. A credit score is a number based on a statistical analysis of a person's credit files to determine creditworthiness, or the likelihood that the person will pay their bills. Also known as FICO, this number is calculated by credit bureaus, and can range from the 300s to the 800s. In general, a score of 720 or above is considered a very good credit score. However, there is no single "cutoff" score used by all companies, and there are many additional factors besides your credit score that companies use to determine your credit risk and corresponding interest rate or down payment.

Before you use credit, ask yourself these questions:

1. Do I really need this item now?
2. Do I have enough money in my debit account or in my budget this month to pay off the entire purchase?
3. If I use a credit card, what additional fees or interest will I pay to carry a balance?
4. What will I have to give up in order to buy this?

What do the Numbers Mean?

Score	Result to You
720 and up	People with scores of 720 or higher will have a good chance of obtaining loans at the best interest rates. These loans may require less documentation and paperwork, and potentially less or no down payment or collateral.
680–720	The average person a credit score in this range and will usually not be able to negotiate the best terms.
620–680	Persons with these credit scores will usually fall under "standard" company rules and have less flexibility in choosing the better loans or services.
580–620	These people will be reviewed with a critical eye and will need compensating factors to be approved by companies for most loans or services.
Under 580	A person whose credit score is in this range will typically be required to provide a substantial down payment/ collateral and/or pay a higher interest rate.

Using credit wisely is critical to building a solid credit history and maintain fiscal fitness. Repayment is an important part of the credit process.

A good credit history is the result of honoring credit repayment agreements. If not, your credit rating may be damaged and you may not be able to get credit again when you need it. A poor credit history can affect your ability to rent an apartment, get a job, or buy a car or house. You may also have to pay a higher interest rate. What's more, the mark stays on your credit record even if the bill is later paid.

What is the credit weight for payment history?

CURRENT TO 12 MONTHS

40% of your credit score is based on the last 12 months of payment history.

13–24 MONTHS

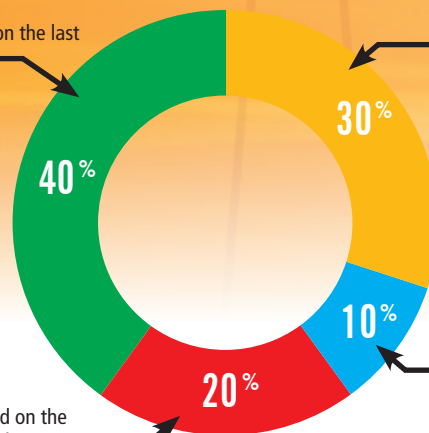
30% of your credit score is based on the last 13–24 months of payment history.

25–36 MONTHS

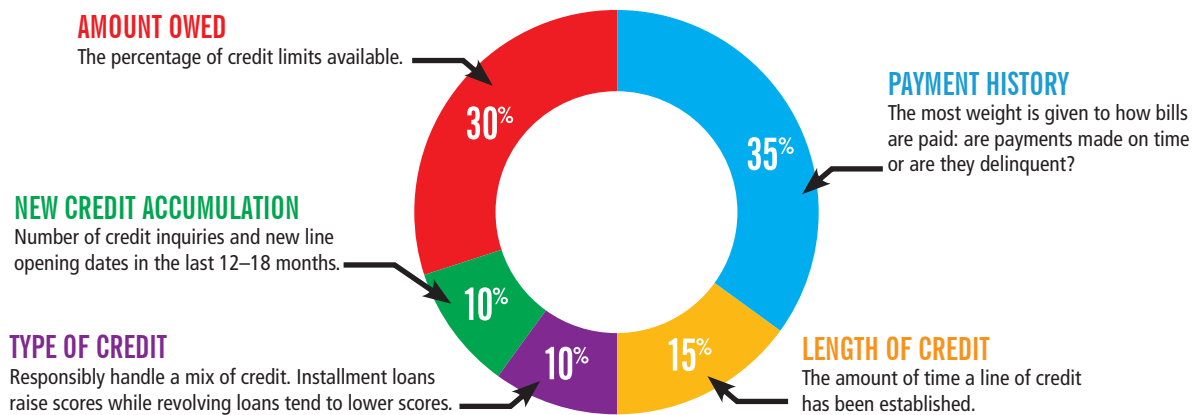
20% of your credit score is based on the last 25–36 months of payment history.

37+ MONTHS

Anything over 37 months carries only 10% of your total score.



What Makes up Your Credit Score?



Improving and Maintaining Your Credit Score

• What actions will hurt your credit score

- Missing payments—regardless of dollar amounts (it will take 24 months to restore credit with one late pay)
- Credit cards at capacity (i.e. maxing out credit cards)
- Closing credit cards out (this lowers available capacity)
- Shopping for credit excessively
- Opening up numerous credit accounts in a short time period
- Having more revolving loans in relation to installment loans
- Borrowing from finance companies

• How do you improve your credit score

- Pay down on credit cards
- Do not close credit cards because capacity will decrease
- Continue to make payments on time (older late pays will become less significant with time)
- Slow down on opening new accounts
- Acquire a solid credit history with years of experience
- Move revolving debt to installment debt

• What doesn't affect your credit score

- Debt ratio
- Income
- Length of residence
- Length of employment

1. Check credit annually

It is important to know what your credit report states, so you can identify if there are any errors or late payments, etc. that might be affecting your score. If you do find errors with your report, you will want to dispute them with the credit bureau and reporting agency to correct them.

2. Make Payments on Time

One of the biggest contributing factors to your credit score is making your credit payments on time. Setting up automatic payments from your bank or credit union accounts will help you maintain a good payment history.

3. Reduce debt

Make a plan to begin reducing your debt. Review your credit report to make a list of all of your accounts and identify the interest rates and how much you owe on each account. Determine if you have an opportunity to restructure your debt to reduce the interest you pay by setting up bi-weekly payments, or if you can refinance to a lower interest rate. Investigate other debt reduction strategies that will help you save money or pay off other debts faster.

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Debt Reduction Strategies

If you're like many other people, you may find that after paying all of your bills each month, you have little money left over. Rest assured that there are ways in which you can turn your situation around. Below are some debt-reduction tactics you can try:

- **Minimize variable expenses.** Review variable expenses and identify opportunities to cut back. For example, could you carpool to reduce your gas expense? Could you cut back on the number of times you are dining out? Are you losing money to unnecessary fees?
- **Limit impulse buys.** The best way to limit an impulse buy is to ask yourself the question, "Do I NEED this or do I just WANT it?" Consider giving yourself a little something when you've put a certain amount away for the month. Eventually, you'll find it more gratifying to save money than to buy that one thing you're sure you can't live without.
- **Evaluate services to make sure you're getting the best deal.** The prices of several different products and services change regularly, and we often fail to see the benefit in the price change. Examples include cell-phone plans, cable and satellite televisions, and auto/homeowners insurance.
- **Pay more than the minimum monthly payment.** If you can pay more than the minimum monthly payments, do it, continuously. Pay more toward your higher-interest credit cards first. When you make the minimum payment, you end up paying more money in finance charges. You could save hundreds, possibly even thousands, in finance charges by paying more than your minimum monthly payment. Additionally, you will have the debt paid off sooner and, in the case of a credit-card balance that is high relative to your credit limit, you will improve your credit score.
- **Restructure your payments.** Arrange to have payments on fixed loans made biweekly. This can drastically reduce the total amount of interest you pay while significantly reducing the time that it takes to pay off your loan. It shouldn't cost you anything to make extra payments on your own loan. Even if your lender won't accept biweekly payments, you can still achieve the same results by making a single extra monthly payment once each year.
- **Refinance.** If you own your own home, refinance an amount that will pay off any existing mortgage and any other debts. If you want to keep your current mortgage because you can't get a lower rate or it has a prepayment penalty, then opt for a home equity loan to pay off your other debts. These are the classic debt consolidation loans.
- **Increase your credit score.** By increasing your credit score, you have the opportunity to pay less on certain payments like your car, home, and insurances. Each of these partly determines your credit score. A 40- to 60-point increase can save you hundreds of dollars a month if you were to refinance your home or car and have your insurances re-quoted.
- **Sell some assets to pay down your debt.** You may have a closet full of things that could bring you some extra capital to help get those debts under control. Have a garage sale or sell the ATV that rarely gets used. Use the extra money to pay down your debts.
- **A secured loan.** Have an expensive car or boat that you have equity in, or a term share certificate or stock? Consider a loan secured by that asset to get the funds you need to pay down your debts.
- **An unsecured loan.** If you don't have any other property or assets, an unsecured loan may be an alternative. An unsecured loan usually has a shorter term. The monthly payments will therefore be higher, but the debt principal will also reduce more quickly. Because there is no security, you should expect to pay a higher interest rate. Unsecured personal loans generally require good credit.

INCREASE YOUR CREDIT SCORE

Beginning Credit Score: _____ Date: _____
 Focus On: _____

Score Check-Up: _____ Date: _____
 Focus On: _____
 Score Check-Up: _____ Date: _____
 Focus On: _____
 Score Check-Up: _____ Date: _____
 Focus On: _____
 Score Check-Up: _____ Date: _____

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Intro to Budgeting

There is a saying that people don't plan to fail, they just fail to plan. This could not be more true when it comes to managing money and increasing saving and investing. Overspending is usually what leads to some of those unnecessary expenses like late fees, overdrafts, and over-limit fees.

A budget helps you determine how much of what you make you keep. Experts say you should save two to 10% of your income every month. If that's not possible for you right off the bat, try a lower percentage and work your way up month after month.

Use the worksheet on the following page as your budget development guide (you may want to refer to your net-worth worksheet to help you complete parts of this section). By doing so, you move one step closer to gaining financial control. An honest review will force you to live below your means instead of beyond them, and that translates into saving money.

DID YOU KNOW?

It would take more than 20 years to pay off a \$5,000 credit card balance (at 14% APR) when you make only minimum payments.

What Makes up a Budget?

To start with, pull your bank statements for the past two months and go through each check or debit line by line. Then plug your spending into the table on the next page.

- **Fixed expenses:** Bills you pay every month that don't change. Examples of this would be your mortgage or rent, car payment, student loan, cable bill, cell phone, etc.
- **Variable expenses:** Bills that fluctuate on a month-to-month basis depending on how much of that item you've used. Examples of variable expenses are utilities, gas, food, credit card payment, etc. This category also includes unnecessary fees that you can avoid, such as late fees, non-sufficient-funds fees, pay-day lending charges, over-limit fees, and annual credit card fees.
- **Unexpected expenses:** Bills that are unplanned and irregular. Examples of this would be medical emergencies, unexpected home maintenance due to damage, or unexpected vehicle repairs. This category can be hard to plan for, but setting aside money each month will help make these unexpected expenses easier to manage.

SUGGESTED SPENDING PERCENTAGES:

Housing <i>(including utilities, taxes, and maintenance):</i>	31.8–35%
Food:	15.6–20%
Transportation <i>(including insurance):</i>	17–19%
Clothing and services:	5–7%
Health care <i>(including insurance):</i>	5–9%
Entertainment:	3–6%
Savings <i>(including retirement):</i>	2–10%
All other:	7–12%

When a household has more income than expenses, it should have a surplus that can be placed into a savings or investment account. If a household's expenses exceed income, it usually is carrying debt.

BUDGET WORKSHEET

INCOME

TOTAL MONTHLY GROSS INCOME	\$
– Taxes, Health Ins. & Other Payroll Deductions	—
– Savings, 401K, etc.	—
TOTAL MONTHLY 'SPENDABLE' INCOME	\$

EXPENSES

HOUSING EXPENSES MONTHLY PAYMENTS			
Rent or Mortgage Interest Rate	%	Maturity Date	
Utilities			
Insurance			
Repairs			
Taxes			
SUBTOTAL HOUSING EXPENSES			\$
CAR EXPENSES			
Loan Payment(s) Interest Rate	%	Maturity Date	
Gas			
Insurance			
Maintenance & Repairs			
SUBTOTAL CAR EXPENSES			\$
DEBTS			
Creditor #1			
Balance	Interest Rate	%	Maturity Date
Creditor #2			
Balance	Interest Rate	%	Maturity Date
Creditor #3			
Balance	Interest Rate	%	Maturity Date
Creditor #4			
Balance	Interest Rate	%	Maturity Date
SUBTOTAL DEBTS EXPENSES			\$
MISCELLANEOUS			
Church Tithes & Offerings			
Other Charitable Contributions			
Groceries, Lunches, Meals Out			
Childcare			
School Tuition/Supplies			
Medical Bills and CoPays			
Prescription Medicines			
Pet Supplies & Vet Exams			
Entertainment, Cable, Video Rentals			
Club Dues			
Newspaper, Magazine Subscriptions			
Clothing			
Haircuts			
Gifts			
Cash			
Other			
Total			
SUBTOTAL MISCELLANEOUS EXPENSES			\$
TOTAL MONTHLY EXPENSE TOTALS			\$
MONTHLY SURPLUS OR SHORTAGE			\$

Track your spending...it's the only way to get a handle on how much money flies out of your wallet. Ideally, keep tabs for at least a month. Don't forget to track those smaller purchases like lattes and movies—they all add up.

SUN	MON	TUES	WED	THUR	FRI	SAT

\$

MONTHLY TOTAL

Look for Leaks!

As you answer these questions, re-evaluate your spending habits and look for ways to save.

1. What patterns can you see in your spending habits?

2. How do you decide what to purchase?

3. What factors do you think influence your purchasing decisions?

4. In what areas can you cut spending to save money toward your financial goals?

Cut: Amount Saved \$

Cut: Amount Saved \$

Cut: Amount Saved \$

Cut: Amount Saved \$

Cut: Amount Saved \$

Cut: Amount Saved \$

Cut: Amount Saved \$

\$

TOTAL SAVED

SPENDING WORKSHEET

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Intro to Saving

You may be asking yourself why there is so much pressure to save money. If you have enough to pay for everything you need, why should you worry about putting any aside each month?

There are many reasons to build your savings. Based on your stage in life, your reason to save may be different than your neighbor's. Consider these reasons.

- **Save for emergency funds:** It is important to have an emergency fund set aside to cover unexpected expenses. This could cover an unexpected car repair, medical procedures, or job loss. Ideally your emergency fund should include about three to six months of your expenses.
- **Save for a down payment for a house:** When you have a significant down payment towards your home, you may be able to avoid paying private mortgage insurance (PMI). This will save you thousands of dollars in the long run. Plus, you can shorten your loan term, and possibly afford a bigger home.
- **Save for a vacation and other luxury items:** Have some fun! Save up for a trip to the Caribbean, an adventurous safari, a Playstation® 3, or a new boat. By saving ahead of time, you won't have to pay off your trip to the Caribbean for the next five years.
- **Save for a new car:** Try to make your next car purchase with cash. You will be amazed at how much money you can free up in your budget if you do not always have a car payment. You can also negotiate a lower car price if you are willing to pay cash at the dealership.
- **Save for education:** Tuition costs are rising, and so are student-loan debt levels. Saving for your education or your children's education is a wise idea. By having money saved in advance, you can significantly reduce the amount that must be borrowed later.
- **Save for retirement:** The sooner you start saving for retirement, the less you will have to save in the future. Put your money to work for you. As you continue to contribute over time, you will be earning more interest on the money you have. If your employer has a company match plan, you should be contributing at least up to that level. Eventually you will want to contribute 10 to 15 percent of your gross income.

35 WAYS TO GROW YOUR SAVINGS:

1. Pay off credit-card debt.
2. Always shop with a list.
3. Shop at discount stores.
4. Never shop hungry.
5. Use the Internet to compare prices.
6. Negotiate whenever you can.
7. Wash your own car.
8. Forget brand names and buy generic.
9. Clip coupons, keep them organized, and USE them.
10. Negotiate lower rates on your credit cards.
11. Eliminate late fees.
12. Eliminate annual credit-card fees.
13. Drop premium cable channels.
14. Shop around for insurance quotes.
15. Increase your insurance deductibles.
16. Carpool.
17. Eat out half as much.
18. Cut back on expensive coffees.
19. Rent movies instead of going to or buying them.
20. Kick your soda addiction.
21. Cancel magazine and newspaper subscriptions.
22. Drink water at restaurants.
23. Examine your bills for mistakes.
24. Get on the right cell-phone plan.
25. Lower your thermostat two to four degrees.
26. Use discount websites to book travel, hotels, and car rentals.
27. Avoid impulse buys.
28. Drive slower and save gas.
29. Take your lunch to work.
30. Cancel memberships you don't use.
31. Share tools with neighbors instead of buying new ones.
32. Shut vents in unused rooms.
33. Agree to limit gift giving.
34. Improve your credit score.
35. **PAY YOURSELF FIRST!**

Get ahead. Save systematically.

This is your first step in moving forward. Faster. Start making your money work harder and smarter. Set up an automatic transfer from your checking to your savings account. This will make it much easier to save.

Save Whatever You Can.

Saving something is better than saving nothing, even if all you can save is \$10 or \$25 a month. It is much easier to increase the amount you save after you get started. Take one step at a time. Increase the amount you save when you get a raise. Most families end up saving \$100 to \$250 a month, but every penny helps.

Save a Portion of Windfalls.

If you get an income-tax refund, bonus, or inheritance, or win the lottery, contribute some of the money to your savings account. You shouldn't miss this money, because it shouldn't be built into your budget.

NOTES

“When Should I Start Saving?”

You might think there’s a “right” age to begin investing. The truth is, you should begin saving for retirement as soon as you can. That’s because the sooner you begin saving, the more time your money has to grow. Your money will compound, meaning the interest generated each year will generate its own gains the next year. This is a powerful concept that will help your money grow faster, and the earlier you begin to save, the more you’ll earn—for less.

Consider this example:

At age 25, Person A puts aside \$3,000 a year in a tax-deferred retirement account for 10 years—and then stops saving. By the time Person A reaches 65, the \$30,000 investment will have grown to more than \$472,000, (assuming an 8% annual return), even though he/she didn’t contribute a dime beyond age 35.

Person B puts off saving until age 35, and then saves \$3,000 a year for 30 years. By age 65, \$90,000 of his/her own money has been set aside, but it will grow to only about \$367,000, assuming the same 8% annual return. Person B has \$105,000 LESS than Person A, and has contributed \$60,000 MORE than Person A.

This is a hypothetical example and is not representative of any specific situation. Your results will no doubt vary.

*To help set the course for your own savings, complete the worksheet below.
The first item on the list is intended to serve as an example.*

ITEM TO SAVE FOR	AMOUNT REQUIRED	TIME FRAME	MONTHLY CONTRIBUTION
Emergency Funds	\$5,000	2 years	\$200
Emergency Funds			
House Down Payment			
Vacation			
Luxury Item			
Car			
Education			
Retirement			
Other:			

Your monthly surplus cash can be rerouted into savings. Put away money specifically for short term goals—such as a weekend getaway—as well as long term goals that could include a new home, college, or retirement. The more targeted your goals the more likely you are to achieve them.

Use the worksheets on the following page to start a savings plan.

SHORT TERM SAVINGS (1-4 weeks)

The more targeted your goals the more likely you are to achieve them.

GOAL:**ESTIMATED COST: \$**

Date:	Source:	Amount Saved \$
Date:	Source:	Amount Saved \$
Date:	Source:	Amount Saved \$
Date:	Source:	Amount Saved \$
Date:	Source:	Amount Saved \$
Date:	Source:	Amount Saved \$
Date:	Source:	Amount Saved \$

\$

TOTAL SAVED**LONG TERM SAVINGS (more than 1 year)**

Estimate the dates you can set money aside, where it will come from, and how much it will be until you have reached your targeted goal. Having the plan down on paper makes it easier to "pay yourself first."

GOAL:**ESTIMATED COST: \$**

Date:	Source:	Amount to Save \$
Date:	Source:	Amount to Save \$
Date:	Source:	Amount to Save \$
Date:	Source:	Amount to Save \$
Date:	Source:	Amount to Save \$
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Date:	Source:	Amount to Save \$

\$

TOTAL SAVED

An accurate understanding of your financial well-being is important at every stage of life.

So, whether you are a student or a parent, young or old—an assessment of your personal financial health is important in order to make good financial decisions. For example, purchasing a car or a home, taking out a student loan, liquidating an investment or making a risky one—all these decisions can be made wisely only if you know your financial status. And since the value of your assets and debts is likely to change over time, you should reevaluate your financial health any time you make an important financial decision. Additionally, you need to consider factors like current and future income levels, future liabilities, etc.

Assets (What you own)		Liabilities (What you owe)				
CASH	VALUE	CURRENT DEBTS	BALANCE	MONTHLY PAYMENT	INTEREST RATE	LEFT TO PAY
Cash on Hand		Credit Card				
Checking Accounts		Credit Card				
Savings Accounts		Credit Card				
Money Market Funds		Credit Card				
Cash Value of Life Insurance		Credit Card				
Insurance		Medical				
Other		Legal				
REAL ESTATE/PROPERTY:		Back Taxes				
Home		Other				
Land		MORTGAGES:				
Other		First Mortgage				
INVESTMENTS (MARKET VALUE):		Second Mortgage				
Certificates of Deposit		Home Equity Loan				
Stocks & Bonds		Land Loan				
Mutual Funds		Other				
Annuities		LOANS:				
IRAs		Automobile				
401(k)/403(b)/457 Plans		Automobile				
Pension Plans		Automobile				
Other		Recreational Vehicle/Boat				
PERSONAL PROPERTY (PRESENT VALUE):		Education				
Automobile		Personal (financial institution)				
Automobile		Personal (family or friends)				
Automobile		Jewelry and Furs				
Recreational Vehicle/Boat		Other				
Home Furnishings		Total Liabilities				
Appliances and Furniture						
Collections						
Jewelry and Furs						
Other						
Total Assets		Total Assets – Total Liabilities = Net Worth 				

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Retirement Planning

So you want to retire someday, just like everyone else. But the absence of a carefully crafted plan means your retirement dreams may fall short and remain just—well, dreams. Typically, Social Security and pensions alone will not sustain the average retiree's lifestyle. Which means it's up to you to save enough money by way of IRAs, 401(k) plans, and other investment vehicles to cover the shortfall.

Today, only 43 percent of Americans have calculated how much they need to save for retirement. Don't put off planning your retirement plan any longer.

Here are a few tips to get you started:

- **Know your retirement needs.** Retirement is expensive. Experts estimate that you'll need about 70 percent of your pre-retirement income—for lower earners, 90 percent or more—to maintain your standard of living when you stop working.
- **Find out about your Social Security benefits.** Social Security pays the average retiree about 40 percent of pre-retirement earnings.
- **Learn about your employer's pension or profit-sharing plan.** If your employer offers a plan, check to see what your benefit is worth.
- **Contribute to a tax-sheltered savings plan.** If your employer offers a tax-sheltered savings plan, such as a 401(k), sign up and contribute all you can. Your taxes will be lower, your company may kick in more, and automatic deductions make it easy.
- **Ask your employer to start a plan.** If your employer doesn't offer a retirement plan, suggest that one be started.
- **Put your money into an Individual Retirement Account.** You can put up to \$5,000 a year into an Individual Retirement Account (IRA) and gain tax advantages.
- **Don't touch your savings.** Don't dip into your retirement savings. You'll lose principal and interest, and you may lose tax benefits.
- **Start now, set goals, and stick to them.** Start early. The sooner you start saving, the more time your money has to grow.

Individual Retirement Accounts

Traditional IRA

An Individual Retirement Account (IRA) allows individuals, whether covered by an employer-sponsored pension plan or not, to save money for use in retirement.

Advantages

- Earnings grow tax-deferred until withdrawn
- Contributions may be tax deductible

Roth IRA

The Roth Individual Retirement Account (IRA) allows individuals to deposit after-tax dollars, accumulate interest tax-free, and take qualifying withdrawals without tax consequences.

Advantages

- Earnings are tax free and penalty free for qualified distributions
- No required minimum distributions