

One of the best habits you can develop is to become a regular saver and investor. A typical formula is to pay yourself with the first 10% of compensation and your creditors with the rest. Another variation on the same theme is to spend only your compensation at your previous raise.

Once you decide how much to save and invest, what is the best place to put it? There is no one size fits all answer, but the following sequence can help you and your financial advisor decide what makes sense for you based upon the tax code, market outlook, and your personal situation...

- 1) **Short Term Cash Reserve:** Establish liquid reserves sufficient to cover 6 – 12 months worth of spending.
- 2) **401(k):** Contribute to your employer-sponsored retirement plan up to the company's matching limit.
- 3) **HSA:** Where applicable tax advantaged way to help with medical costs.
- 4) **Payoff High Interest Debt:** Eliminate all non-mortgage debt.
- 5) **Employee Stock Purchase Plan (ESPP):** Participate in your company's stock purchase plan assuming that:
 - 1) You like the company's prospects,
 - 2) You get a significant discount in the plan, and/or
 - 3) You are not otherwise overly exposed to the company's stock.
- 6) **College Savings Plan:** Fund your 529 Education Savings Plan (if applicable)
- 7) **Additional 401(k):** Maximize your contribution to your employer-sponsored retirement plan up to the dollar limits established in the tax code, even if this takes you beyond what your Company will match. This can be done in either a Roth or Traditional 401(k) depending upon your plan rules and your personal situation.
- 8) **Non Qualified Deferred Compensation Plans (NQDC):** Look to participate in any non-qualified deferred compensation programs offered by your company.
- 9) **IRA Contributions:** Make either your Roth IRA (if eligible) or non-deductible IRA contributions (that you may be able to convert to Roth).
- 10) **Home Mortgage:** Making extra mortgage payments can meaningfully shorten the length of your obligation and lower the amount of interest paid over the life of the loan.
- 11) **After Tax Brokerage Account:** Allocate funds to the holdings in your after-tax personal account that are at best valuations to balance and grow your portfolio.

It is typically ok to invest the longer-term buckets in more volatile types of quality investments as the fluctuation likely won't harm you and in fact, may help you meet your goals if you add to it on a consistent periodic basis.



For a comprehensive review of your personal situation, always consult with a tax or legal advisor. Neither Cetera Advisor Networks LLC nor any of its representatives may give legal or tax advice.

Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59½, may be subject to an additional 10% IRS tax penalty. Converting from a traditional retirement account to a Roth retirement account is a taxable event. A Roth retirement account offers tax free withdrawals on taxable contributions. To qualify for the tax-free and penalty-free withdrawal of earnings, a Roth account must be in place for at least five tax years, and the distribution must take place after age 59½, or due to death or disability. Depending on state law, Roth accounts distributions may be subject to state taxes.

Investors should consider the investment objectives, risks, charges and expenses associated with municipal fund securities before investing. This information is found in the issuer's official statement and should be read carefully before investing. Investors should also consider whether the investor's or beneficiary's home state offers any state tax or other benefits available only from that state's 529 Plan. Any state-based benefit should be one of many appropriately weighted factors in making an investment decision. The investor should consult their financial or tax advisor before investing in any state's 529 Plan.

All investing involves risk, including the possible loss of principal. There is no assurance that any investment strategy will be successful.

