

PEAK FINANCIAL ACTIVITY 2b: What percentage of your money goes toward Needs and Wants? (see answers on the last page)

In this Activity, you'll examine what percentage of your income goes toward saving, and what percentage of your income goes toward your lower priority Wants.

Typically, you should **LIVE on 50%** of your net income. You should **SAVE 20%** of your income. You can **PLAY on 30%** of your income. Your PLAY money is used for your lower priority Wants.

This won't be true in everyone's case. It is a guide to help you decide if you need to reprioritize your finances. Compare your current financial distribution with the suggested goals below. Enter the percentages that you calculated in the last exercise.

	Recommended %	Your Actual %
LIVING	50 %	%
SAVING	20 %	%
PLAYING	30 %	%

How can you increase your savings?

Go Find It → *In the Online Course*, you'll find a link to an online calculator for this Activity.

1.) Let's assume you could squeeze \$100 a month into a savings account. If the annual yield were 8% a year and you allowed for inflation of 4%, how much could you accumulate in ten years? Use the online Calculator to get your answer:

2.) Assuming 4% inflation, what would your savings be worth at the end of 120 months of \$100 deposits?

If you don't have a regular amount going into your savings starting now, at the end of 10 years you'll have nothing accumulated. Like most things, the first cut is the deepest. After a while, you get accustomed to the habit of saving.

The priority of saving has almost disappeared over the years. It has become something of a lost skill. It doesn't have to be. A general rule is to have at least six months of your income in a savings account. Decide a challenging but achievable goal and then work toward it. Once you achieve that goal, set another.

As you evolve your savings, you'll find more efficient ways to invest your money bringing a better return.

First, consider contributing a 401(k) or IRA to save for your retirement. Find out if your employer offers any matching for contributions to a retirement account and take advantage of it. A contribution to a 401(k) is pre-tax so you are ahead of the game. The government allows a lot to be set aside for retirement, up to \$6,000 per year.

List three ways you can bring your Needs and Wants more in line:

a:

b:

c:

ANSWERS to questions (DON'T PEEK!)

1.) \$22,752.08

2.) \$15,261.33



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