

Seven Simple Steps to Improve Your Financial Health

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Money is a major source of stress for many Americans. If you want to improve your financial health this year, you're not alone. The question is, where should you start?

You don't have to reinvent the wheel. Follow these seven simple steps to make progress toward your financial goals.

1. Get a Clear Picture of the Current State of Your Finances

The first step is understanding exactly what's going on with your finances right now. You want to go into this process with clear eyes, so list out all your key financial details, such as:

- What you own (e.g., house, vehicle, stocks, bonds, and other significant assets)
- What you owe (e.g., mortgage, credit card debt, student debt)
- What you earned in the last year
- What you spent in the last year

These numbers become your baseline to help you decide on the best moves going forward and measure your progress.

2. Break Your Big Financial Goals Into Smaller Steps

People often set huge financial goals that they're not sure how to achieve. So take your goals and break them down into smaller, more manageable steps that each take you closer.

For example, if your goal is to buy a house, your first step could be saving a set amount for a down payment. You could break that down even further by setting a monthly savings target.

3. Track Your Spending and Create a Budget

It's easy to accidentally overspend when you're not tracking where your money is going. Write down all your fixed expenses (like housing, loan payments, and insurance premiums) and your variable expenses (like utilities, food, and transportation), then compare them to your income. Are your expenses greater or less than your income? Is there any way you can cut back?

From there, set limits for different expense categories, and keep tracking your spending to stay on target.

4. Pay Down High-Interest Debt

High-interest debt, such as credit card debt, is one of the biggest obstacles to strong financial health. Take a look at your outstanding debt balances and their interest rates, then pick an account to work on paying off. It could be your smallest balance to build momentum, or the one with the highest interest rate to save on interest.

Either way, make the minimum payments on the rest of your debt and put as much money as possible toward clearing your chosen account.

5. Grow Your Savings

Set a goal for how much you're going to add to your savings each month. Start with an emergency fund and work on saving enough to cover at least three to six months' worth of expenses.

6. Expand Your Financial Understanding

There's always more to learn about money. Expanding your understanding will help you make the right moves at the right times to set yourself up for financial success. Try taking classes, reading books, and using other learning tools to deepen your knowledge across aspects of personal finance.

7. Consider Working With a Finance Professional

People often think that financial advisors and other professionals are only for very wealthy clients. That's not true. Anyone can work with a finance professional to get help staying focused and planning for a strong financial future.

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