

Answers To Your Top Personal Finance Questions

(NAPSA)—While most Americans agree that a financial plan is important, only about half of Americans have started such a plan, according to a recent survey.

“Getting personal finances in shape can seem overwhelming,” says Mitch Swanda, a financial planner with USAA Financial Planning Services. “With help, it can actually be very simple.”

To help get your finances on the right path, Swanda offers answers to common questions:

Should I pay off debt first, or save money for emergencies? Every financial situation is different, but when prioritizing your budget, consider paying off consumer debt, like credit cards, first. When you do build an emergency fund, save at least three months of living expenses.

How can I get rid of debt? Getting rid of debt takes discipline. Follow these simple steps:

- Stop spending. Put credit cards away. Destroy them if necessary.
- Create a budget. Know where money is going, and determine what nonessentials, such as entertainment costs, you can cut.
- Have a payment plan. Generally it is best to pay off debt with the highest interest rate first to avoid extra interest charges. Then focus on eliminating bills with the next highest interest rate.

How much should I save for retirement? Most retirees need 70 to 80 percent of pre-retirement income to maintain their standard of living. To get you started:

- Put retirement savings be-



fore college savings. Keep in mind that your children might be eligible for financial aid to help pay for college.

- Start saving now. Set a goal to save at least 10 percent of your total income. The more time you have to invest, the more compounding interest will help your investment grow.

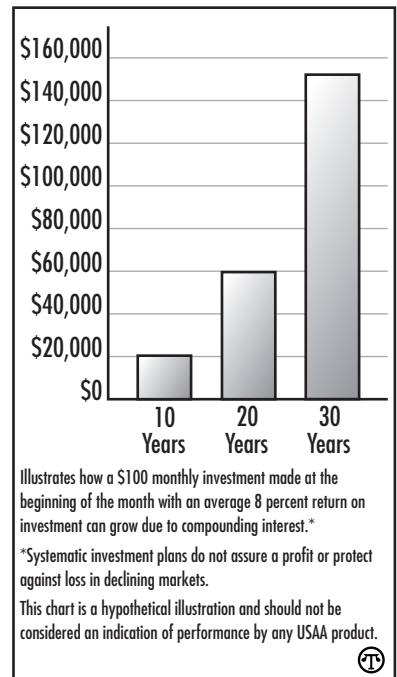
- Take advantage of free money. Find out if your employer offers a 401(k) that matches contributions. Contribute to this program up to the maximum match before considering other investment vehicles, such as a traditional or Roth IRA.

What should I do about saving for my kids' college? If your retirement plan is in good shape, you can begin saving for college. With tuition and fees at private universities averaging around \$80,000 over four years, start saving for college as early as possible. If you save \$250 a month when your child is born, potentially in a 529 plan or a Coverdell Education Savings Account, you should be able to cover most college costs.

Do I need life insurance? If

someone depends on your income, life insurance is a must. Most people need about seven to 10 times their annual income to provide a financial cushion for loved ones, though you should complete a life insurance needs analysis with the help of a professional. Consider shopping for a policy now since most people qualify for better rates at a younger age.

Have more questions about how to plan for your financial future? Just call USAA at 1-800-898-7389 to talk with a noncommissioned financial advisor, or visit www.usaa.com and enter keyword “financialadvice” for more information.



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