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YOUR VIP GUIDE TO

# CRUSHING DEBT AND MAXIMIZING SAVINGS

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# 5 Financial Principles Everyone Should Know

Welcome to your financial future!

This guide is designed to help the millions of Americans who struggle with financial literacy or simply want to level up their financial game. Whether you're drowning in credit card debt or looking to make smarter money moves, we want to empower you to take control of your finances and build a more secure future.

The past few years have been tough, with rising costs and interest rates driving people to rely more and more on credit cards. In fact, as a country, we've accumulated a staggering $1.14 trillion in credit card debt.  Even Elon Musk couldn't pay that off!

Financial setbacks are rarely just an issue of income. The reality is, 78% of Americans are living paycheck to paycheck––not because they aren't earning enough, but because of choices around spending.

The good news is, BookSmarts Accounting & Bookkeeping is here to help. The following five principles will help you make better financial decisions, manage your money wisely, and build a stronger financial future.

## 1. Budgeting and Cash Flow

Managing your money well starts with understanding your income and expenses. Budgeting helps you avoid financial surprises and ensures you can cover your essentials. Here's how to get started:

- **Create a Comprehensive Budget:** Start by listing your income and fixed costs (like rent and utilities) and then estimate your variable expenses (like groceries and entertainment). This will help you plan where your money goes.

- **Pay Yourself First:** Make saving a priority by setting aside at least 20% of your income right from the start. Ideally, this should go into a separate savings or investment account before you pay any bills or spend on other expenses.

- **Monitor Cash Flow:** Regularly track how much money is coming in and going out to make sure you're staying on track with your budget. You can use apps like GoodBudget, Mint or You Need a Budget (YNAB) to help keep track in real time.

- **Prepare for Fluctuations:** Life is full of changes, so periodically review your budget and adjust for seasonal changes like holidays, vacations, or unexpected expenses.  Reduce debt as much as possible as this is what will sink you when fluctuations happen.

## 2. Navigating Payment Methods

Understanding how to use different payment methods can help you manage your personal finances wisely and build a good credit history.

- **Evaluate Payment Options:** Know the difference between debit cards, credit cards, and electronic payments. Debit cards take money directly from your bank account, while credit cards allow you to borrow money but must be paid back in full each month to avoid interest.

- **Set Spending Guidelines:** Be mindful of when to use credit cards versus cash or debit. Credit cards can help build your credit score if used responsibly, but it's essential to stay within your means to avoid debt.

- **Monitor Fees**: Some credit cards have hidden fees or interest rates that can add up over time. Regularly review your statements to ensure you're not paying unnecessary fees.

## 3. Debt Management

Credit card debt, auto loans, student loans, medical debt, and any other lines of credit you are carrying make it so hard to regain control of your finances. The longer you stay in debt, the more you pay in interest, so paying off debt as quickly as possible is an important goal. Here are some actionable strategies to help you tackle debt head-on and pave the way to financial freedom:

- **Switch Immediately to a Debit Card:** If you're serious about paying off debt, use a debit card instead of credit cards. Research shows that people tend to spend 80% more when they rely on credit. Using a debit card keeps you accountable and helps you avoid the temptation to spend more than you have. While some credit cards offer rewards, these perks are not worth the debt you accumulate. Keep one credit card for emergencies and get rid of the others.

- **Pay More Than the Minimum:** The average American carries about $9,000 in credit card debt, which can rack up significant interest—around $1,890 a year, or about $158 a month. Paying more than the minimum payment helps you reduce these large interest charges. Consider taking on a side job, like driving for Uber or working on a freelance gig for just eight hours a week, to generate extra income. Use tax refunds or any unexpected windfalls to pay down your debt faster.

- **Tackle Small Debts First:** Focus on paying off smaller debts first, then roll those payments into the next largest debt. This method not only reduces the number of debts you have but also boosts your motivation as you see debts disappearing.

- **Set Up Auto-Payments:** Automate payments for all your loans (including credit cards) to avoid late fees and missed payments.

- **Adopt a Long-Term Mindset:** Approach your finances with a long-term perspective. This may involve forgoing vacations or cutting back on non-essential expenses to prioritize debt repayment. A mindset shift toward prioritizing your financial health can lead to greater security and peace of mind.

## 4. Savings and Investment Strategies

Building both short-term and long-term savings is crucial to financial security. One third of American households do not have the funds to cover a $400 emergency expense––don't let that be you. Unexpected costs can arise at any moment. Preparing for this will ensure you don't fall behind.

- **Establish an Emergency Fund:** Aim to set aside 3-6 months' worth of living expenses in a dedicated savings account. For example, if your monthly expenses are $5,000, your goal should be to save between $15,000 and $30,000. This liquid fund will provide a safety net for unexpected costs, such as medical bills or repairs.
- **Reassess Your Savings Goals:** The traditional 50/30/20 budgeting rule suggests allocating 50% of your income to cover essential needs and bills, 30% to things you want, and 20% to savings. Consider shifting to a 40/30/30 ratio, where 30% of your income goes to savings, including both short-term and long-term needs. This adjustment can help you better prepare for emergencies and future goals.
- **Explore High-Yield Savings Accounts:** Many Americans, even high earners, have never utilized––or even heard of––high-yield savings accounts, which can maximize interest earnings on surplus funds. These accounts typically offer better returns than standard savings options and don't require a large initial deposit. If you're saving for significant expenses like taxes, college, or home repairs, consider transferring those funds to a high-yield account to help your savings grow faster. For example, American Express offers a high yield savings account which will pay 4% interest, as opposed to regular savings accounts that offer less than 0.5%.
- **Investment Planning:** Allocate a portion of your income towards investments that align with your personal financial goals. Whether you're saving for retirement, a home, or another significant expense, smart investment choices can lead to greater long-term wealth.
- **Diversify!** Diversify your investments and remember wealth is not built overnight, rather, by being slow and steady. Hire a highly recommended Certified Financial Planner to help you plan for retirement

## 5. Building Long-Term Wealth

While short-term savings are important, thinking ahead to retirement and long-term financial goals is essential for creating financial security.

- **Retirement Planning:** Set up a retirement account, such as an IRA or 401(k), and contribute regularly. Even small contributions can grow significantly over time due to compound interest.
- **Diversify Your Assets:** Don't put all your eggs in one basket. Spread out your investments across different areas, like stocks, bonds, or real estate, to protect yourself against market volatility.
- **Regular Financial Check-Ups:** Just like with your health, it's important to check in regularly on your financial well-being. Periodically review your budget, savings, and investments to ensure you're on track to meet your goals.

# Next Steps

Now that you've explored these five essential financial principles, it's time to take action and transform your financial future. Here are your next steps:

**1. Create Your Budget:** Start by drafting a comprehensive budget that outlines your income, fixed costs, and variable expenses.

**2. Switch Payment Methods:** If you're using credit cards, consider switching to a debit card to curb overspending. Limit your credit cards to one for emergencies and work on paying down existing debt.

**3. Develop a Debt Repayment Plan:** Prioritize paying off your debts by focusing on high-interest credit cards first. Automate your payments to avoid late fees and create a plan to tackle smaller debts for quick wins.

**4. Establish an Emergency Fund:** Set aside money for unforeseen expenses by building an emergency fund that covers 3-6 months of living expenses.

**5. Invest for the Future:** Open a retirement account and start contributing regularly. Diversify your investments to safeguard against market fluctuations and review your financial health regularly to ensure you're on track to meet your long-term goals.

Remember, building a strong financial future takes time and effort, but by implementing these principles, you're already on the right path.

Follow us @booksmartspro for more financial tips and tricks!


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# Comparison of National Banks Offering High-Yield Savings Accounts

A Comprehensive Guide to Help You Make the Most of Your Savings
*Current as of October 2024*

## Introduction

High-yield savings accounts offer a great way to grow your savings with higher interest rates compared to traditional savings accounts. This guide helps you compare the options available from various national banks, including their interest rates, and minimum deposit requirements. Please note that rates and terms may change, so be sure to confirm the details directly with the bank. Your local bank or credit union may also have high-yield savings options available.

## Summary

| Bank Name | APY (Annual Percentage Yield | Minimum Deposit Requirement | Monthly Fees | FDIC Insured? |
|---|---|---|---|---|
| American Express National Bank | 4.10% | None | $0 | Yes |
| SoFi | Up to 4.30% | None | $0 | Yes |
| Discover Bank | 4.10% | None | $0 | Yes |
| CIT Bank | 4.70% | $5,000 (for the high-yield interest rate) | $0 | Yes |

| Bank Name | APY (Annual Percentage Yield | Minimum Deposit Requirement | Monthly Fees | FDIC Insured? |
|---|---|---|---|---|
| Barclays | 4.5% to 4.8% | None ($10,000 for higher interest rates) | $0 | Yes |
| eTrade | 4.25% | $0 | $0 | Yes |
| RobinHood | 4.5% | $20 | $5/month or $50/year | Yes |
| Capital One | 4.10% | $0 | $0 | Yes |
| LendingClub | 5.15% | $0 minimum - $250/month to unlock the 5.15% rate | $0 | Yes |
| Wealthfront | 4.50% | None | $0 | Yes |
| BrioDirect | 5.05% | $5,000 | $0 | Yes |
| Bread | 4.75% | $100 | $0 | Yes |
| EverBank | 5.05% | $0 | $0 | Yes |

## Additional Considerations

When choosing a high-yield savings account, consider the following factors:

- Look for accounts with no monthly fees and automatic savings tools.

- Be aware of promotional rates that may decrease after a certain period.

- Use automatic transfers to build your savings consistently.

## Glossary of Terms

*APY:* The annual percentage yield, or the real rate of return earned on savings.

*FDIC Insurance:* Protection provided by the Federal Deposit Insurance Corporation that covers up to $250,000 per depositor per bank.

*Minimum Deposit Requirement:* The minimum amount required to open a savings account.

# Debt Tracker

Steps:

1. Switch to a Debit Card
2. Set Up Auto-Payments
3. List Debts Smallest to Largest
4. Increase Your Income
5. Pay More Than the Minimum
6. Pay Off Small Debts First
7. Adopt a Long-Term Mindset

| Current Total Debt: |
|---|
| |

| Debt Free Target Date: |
|---|
| |

| | Description |
|---|---|
| **Debt Type** | e.g., Credit Card, Auto Loan, Student Loan, Medical Debt |
| **Balance** | Current amount owed |
| **Interest Rate** | Annual percentage rate |
| **Minimum Payment** | Amount you plan to pay each month |
| **Due Date** | To help set up auto-payments and avoid late fees |
| **Extra Payment** | Any additional amount you're paying this month |
| **Remaining Balance** | New balance after payment |
| **Order of Payment** | Rank each debt by size, starting with the smallest |

| Debt Type | Balance | Interest Rate | Minimum Payment | Payment Amount | Due Date | Extra Payment | Remaining Balance | Order of Payment |
|---|---|---|---|---|---|---|---|---|
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## Meet BookSmarts Accounting and Bookkeeping

BookSmarts is a revolutionary all-female accounting firm redefining the financial services landscape by empowering women with flexible employment opportunities. BookSmarts blends cutting-edge financial management with integrity, innovation, and excellence. As a remote-first company, BookSmarts challenges traditional business models by offering women the chance to expand their skill sets while balancing their professional and personal lives. It’s more than just numbers—it’s a movement.

*"If I ever have a question, there's somebody who has our back. It is nice to have you guys to ask, 'Hey, do you have a better way, or do you know of a better way to do this?' You are super helpful with it. Thank you." - Leslie Hemming, Rad Concrete*

*"One of the smartest things we did with this business was to start with BookSmarts in our back pocket as our partner. I trust them completely. I live by the financials and they deliver what I need." -Kevin McNamara, IMAGE Salon*