
Financial Habits of Highly Effective Savers

By No Author *Thu, Jan 28, 2021*

Thumbs Up & Thumbs Down Financial 'Rules of Thumb'

Habits correlated with HIGH self-reported levels of financial well-being:

- Always pay debt in full when possible
- If you always pay your credit card in full, get a rewards card. If not, get a low-rate card
- Avoid borrowing from your 401(k)
- Don't spend more than you make
- Save up for big purchases
- Organize finances regularly
- Save 10-30% of your income a month
- Have an emergency fund to cover 3-6 months of expenses
- Use your company's 401(k) match (if available)
- Invest in line with your risk tolerance
- Diversify your assets
- Start investing early

Habits correlated with LOW self-reported levels of financial well-being:

- Try to find ways to earn extra money
- Make a payment plan for yourself and track your progress
- Consolidate debt to lower % rate if possible
- Limit eating out
- Make a list before shopping
- Pay yourself first
- Start saving small amounts then work up
- Save as much as you can
- The 115-rule: The proportion of stocks in your portfolio should be about 115 minus your age
- Rebalance your portfolio once a year
- In your 401(k), invest in a "target-date" or "life-cycle" fund that matches your expected retirement age.

Source: Morningstar Investor Success Project Jan 2021.
