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## Money Moves To Make When You Get A Raise

if you've recently received a raise, celebration and congratulations are in order! A raise is confirmation that your hard work has been noticed and valued by your employer.

After the emotional rush of getting the raise and the round of handshakes (or virtual high-fives over video chat), it's time to take a few deep, calming breaths and decide what to do with your increased cash flow.

What you decide to do next can have a big impact on your overall net worth, now and in the future. Ignoring your mid- and long-term financial plans is a surefire way to lose your raise to lifestyle inflation.

It can be helpful to remember that paying off debt and funding your retirement are also lifestyle upgrades, just not immediately flashy ones (like getting a brand-new car).

Here's a great list of money moves to make when you get a raise:

**Calculate your new take-home pay**

Afterall, you have to know what you're working with before you make any more moves! It's important to remember that tax withholdings and any other deductions (health insurance, commuter benefits, office gym membership, etc.) will shrink your take-home pay from the gross raise amount (i.e. total).

An easy way to determine your net pay increase (i.e. take-home amount) is to subtract your old, smaller paycheck from your new one.

If you haven't yet received a paycheck with your new amount, an HR representative should be able to help you calculate this number.

**Put money toward "tight" areas in your budget**

If you sometimes have to forgo groceries, paying a bill on time, going to see the doctor, or replacing something broken on your car-even with a balanced budget-put the new money here first.

But remember, if you don’t have a firm control on your spending, a raise won’t make your budget work-you’ll always be overspending.

**Top off your emergency fund**

These next two points are interchangeable, depending on where you are in your financial journey. If you’ve already got a full emergency fund (of at least $1,000 or six weeks to six months of pay in a savings account), you skip straight to number three!

If not, now’s a great time to use all or some of your new monthly income to increase your emergency fund. This savings account is your peace of mind, your plan B when an unexpected cost comes up.

It keeps you from relying on high-interest credit cards, dangerous payday loans, or having to skip paying a bill.

**Continue to eliminate debt**

Eliminating debt can be just as exciting as a splashy purchase-especially because becoming debt-free will mean a lifestyle boost in the long-run, and not just for the life of a new gadget or designer clothes.

Use your extra income to get ahead on paying off credit card debt, student or personal loans, or a car loan. One of the quickest ways to build a positive net worth is to eliminate debt.

**Contribute to retirement savings**

Perhaps your previous budget didn’t allow for regular contributions to a retirement fund, like an IRA or 401(k). Missing out on an employer matching contribution means forgoing free money! Now’s the perfect time to reach that matching contribution limit without having to shrink the rest of your budget.

If you increase your retirement contributions by even a percentage or two, it can have a drastic impact on your finances in retirement. Here’s a quick example:

If Sahana receives a 3% raise on her $45,000 salary and puts that money, pre-tax, into her 401(k), over 30 years that money could add $250,000 to her nest egg! Or, she could simply take the raise as a post-tax $80 bump in her paycheck every month.

**Spend some of it on yourself, now**

This move helps with the psychology of budgeting-you are human, after all, and not a machine. Enjoying a calculated splurge now can keep the rest of your budget and financial goals on track.

We humans are wired for reward-better to calculate a reward you can afford now while sticking true to your future financial goals than splurge on something bigger that later that jeopardizes them.

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beachmunicipal.org | 757.333.7787

4164 Virginia Beach Blvd., Virginia Beach, VA 23452

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