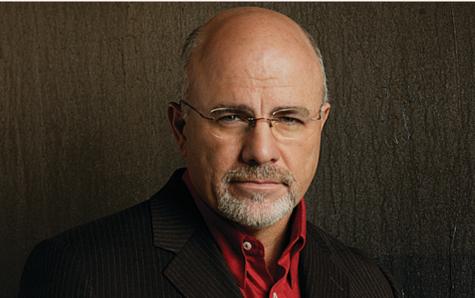


7 Dave Ramsey's Baby Steps



\$1,000 EMERGENCY FUND

It's going to rain, so you'll need an umbrella. Emergencies come in all different shapes and sizes; from job losses to exploding cars. The first major Baby Step to your Total Money Makeover is to begin an emergency fund. A small start is to save \$1,000 in cash fast! Now, obviously, \$1,000 isn't going to cover all the big emergencies but it will catch the little ones until the emergency fund is fully funded (Baby Step 3).

PAY OFF ALL DEBT USING THE DEBT SNOWBALL

Debt is your enemy. The way we payoff debt is called the Debt Snowball. The Debt Snowball requires you to list all your debts in order of smallest payoff balance to largest (excluding your home). Pay the minimum payment to stay current on all the debts except the smallest. Every dollar you can find from anywhere in your budget goes toward the smallest debt until it is paid. Once the smallest is paid, the payment from that debt, plus any extra "found" money, is added to the next smallest debt. When debt number two is paid off, attack number three, and so on. Most people get to the bottom of the list and find they can pay well over \$1,000 per month on a car loan or a student loan. At that point, it won't take long to be debt-free except for the house!

FULLY FUNDED EMERGENCY FUND

Money magazine says that 78 percent of us will have a major unexpected event within the next ten years. You must be prepared. A fully funded emergency fund covers three to six months of expenses. In Baby Step One, you begin an emergency fund with \$1,000, but a fully funded emergency fund will usually range from \$5,000 to \$25,000. Keep your emergency fund in an account that is easy to withdraw from with no penalties.

INVEST 15 PERCENT

of your before-tax gross income. When calculating your 15 percent, don't include company matches; invest 15 percent of your gross income. Invest that money in good growth-stock mutual funds with a winning record of more than five years.

SAVE FOR COLLEGE FUND

college with an Educational Savings Account (ESA), funded in a growth-stock mutual fund. An ESA grows tax-free when used for higher education. If you invest \$2,000 from the birth of your child to age eighteen in an ESA in mutual funds averaging 12 percent, you would have \$126,000 tax-free.

PAY OFF HOME EARLY

How would it feel to have no payments? Your largest wealth-building tool is your income. If you invested what you pay in monthly payments, you'd be a millionaire before long.

BUILD WEALTH AND GIVE!

There are only three uses for money: fun, investing, and giving. You've worked hard to get to this point; buy that new car or home with the cash you've made. However, remember to keep investing to build more wealth. Giving your money away is possibly the most fun you will ever have with money.