

## Beth Kobliner's Top Ten Tips for Keeping Your Finances on Track

**1. Your 401(k) is still your best financial friend.** Wall Street's meltdown knocked 50% out of the value of a lot of retirement accounts, but the best place to save for the future is still a 401(k) with matching employer contributions—which are basically free money. If your company kicks in 50 cents for every dollar you contribute, that's like earning an interest rate of 50%. And if you're nervous about putting money in the stock market right now, your 401(k) offers a menu of less risky choices.

**2. Quit living on borrowed cash.** With credit card rates and penalties rising and credit limits falling, now is the time to rein in your debt. Make it a priority to pay off your credit card balances, starting with those that charge the most interest. Even if you pay just \$10 a month more than the minimum on your cards, you can save thousands of dollars.

**3. Guard your credit score.** Get a sense of your score for free at sites like [creditkarma.com](http://creditkarma.com) (or pay about \$16 to get the real thing from [myfico.com](http://myfico.com)). If you're in good shape, stay that way: Don't close any accounts without a good reason, and go on paying your bills on time. One missed payment could mean a higher-rate mortgage in the future, amounting to tens of thousands of dollars in extra interest.

**4. If you have health insurance, hang on to it.** If you get laid off, see if your ex-company will extend your health coverage for a few months as part of your severance package. Even if that doesn't fly, under the law known as COBRA, you are legally entitled to keep your current coverage for 18 months if you pay for it yourself. And thanks to the new economic stimulus package, the government will pick up 65% of the bill.

**5. Automate your finances.** Set up automatic payment on regular bills (phone, electric, etc.) to prevent late fees that can damage your credit. Timely payments are the most important factor in your credit score, and the one you have the most control over. Opt in for email or text alerts from your bank before your credit card bill is due. And automate your saving habits, too. If your company won't deposit part of your paycheck directly into your savings account, set up a monthly transfer through your bank's website.

**6. Keep emergency money in a safe place.** Ignore people who say it's dumb to keep money in a savings account paying just 1% or 2%. These accounts may not earn much interest, but at least you know your money's protected. Find the best rates at [bankrate.com](http://bankrate.com) and then work to save *at least* three months' worth of living expenses in case you lose your job or get really sick.

**7. Use every trick at tax time.** Make sure to open an IRA and take advantage of tax savings. You can contribute up to \$5,000 to a traditional IRA and get a tax break of as much as \$1,250. Also, see whether you're eligible to deduct student loan interest and job-hunting expenses, as well as whether you qualify for the latest tax breaks for homebuyers.

**8. Speak up.** If you want real answers (or any sort of break), pick up the phone and talk with a lender, a bank, an investment company, a landlord, or even an airline (if you're trying to use your frequent flyer miles). Asking for the retention desk at your credit card company will give you an opportunity to argue your case for a lower interest rate.

**9. Get real about buying a home one day.** The days of banks giving mortgages to everyone with a pulse are over, so if you plan to buy a home, make sure to keep your credit score in top shape and save a down payment (at least 3%, but many lenders will want to see 20%) even before you start looking. Mortgage rates are low right now so if you're in good shape, take advantage of them.

**10. Don't waste money.** Where can you cut back? Think convenience-store coffee (99 cents) versus an extra-flavor venti latte (\$4 plus), tap water rather than bottled, and shopping your closet rather than the racks. Keep an eagle eye on your bottom line. And watch out for ATM fees, overdraft penalties, and other service charges that cost the average American around \$100 a year.