What You Should Do After Receiving a Raise

Description

Getting a raise is always a reason to celebrate, and seeing a larger paycheck as a direct result of your hard work is one of the best feelings. However, raises can lead to some unwise financial habits. It can be tempting to run out and buy that new big screen youâ€™ve been eyeing, or funnel the money into a ticket for a family trip to Disneyworld, but take a moment to pause and think about how to use your new income in a way that will most benefit you and your family in the long run.

Reassess Your Budget

Any time you experience a change in income, whether for the worse or better, itâ€™s important to look at your budget and adjust where necessary. When looking at your new income, itâ€™s important to assess just how much the government will be taking out of that larger paycheck. Check out your credit history and take note of the places that you seem to spend the most, whether that be travel, entertainment, or dining. After looking at your budget, take a look at accounts that could use a little bolstering, then funnel your raise income difference into these areas. Another option is to invest your extra income in the stock market, this can be a good way to grow your asset pool and learn the financial system better. Through doing research into how companies are performing, as well as the general consensus on the amazon stock forecast (or other companies youâ€™re interested in) you can predict trends and better invest your money where it will grow. The good thing about investing your money is you wonâ€™t be tempted to be wasteful with it, in the same way you might be if it was left sitting in your checking account.

Retirement Accounts

No matter where you are in your career, itâ€™s important to have a retirement plan, whether you are in your mid-twenties or late forties. Thinking about the future is always essential when it comes to finances, and siphoning more money into your retirement plan will leave you with a larger retirement income and may mean you get to sign out of the professional world at a younger age than you ever imagined possible. Whether youâ€™re putting more into your 401(k) at work or making deposits into an IRA, your future self will thank you for the forethought.

Charitable Donations

Sometimes, raises can affect our taxes, effectively seeing us owing more to the government when tax season rolls around. Charitable donations are a good way to spread the wealth while also being strategically sound with your finances. Donations to qualified charities can make you eligible for lucrative tax deductions when you file taxes online, and youâ€™ll feel great about paying it forward.

Long Term Purchases

If you do have some need to buy items on your list, make sure your raise money goes towards those things which will benefit your family and finances in the long run. It might be an energy efficient washer and dryer, an update to your backyard living space that improves the value of your home, or investing in safe stocks that can make you a bit of interest each year. Speak with a financial advisor about what might be best for your family, and make sure you keep those impulse buys to a minimum, especially in the weeks directly following your raise.

Pay Off Debt

Have you been stuck in debt for a while? Itâ€™s time to get yourself out from under this financial strain. With your new income, itâ€™s likely possible for you to become debt-free sooner than you originally thought possible. Take a look at your accounts and put them in order of interest rates, highest to lowest. Work on paying off the accounts with the highest interest first to avoid paying more over the long run than necessary. As your debt lessens, your credit score will improve, and the mental strain thatâ€™s alleviated will be more than welcome. If you owe the government, itâ€™s essential to put all of your efforts into paying any back taxes owed under your name. The longer it takes you to pay back the IRS, the more dire the consequences. If itâ€™s a serious amount of money owed, always be sure to use companies like www.communitytax.com to figure out what is going to help your case quickly and efficiently.

If youâ€™ve received a raise for a job well done, itâ€™s important to use that money in a smart, financially sound way that will best benefit your family. Keep these tips in mind and enjoy your new income to the fullest.

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