



What to Do With a Sign on Bonus?

News is all around about the fantastic signing bonuses being offered to health care workers.

These can be a great way to jump start your financial plans into action. What are some things you can do with this extra money? Let's see:

1. **Pay off debt.** If you have high interest credit card or student loan debt, pay these off as fast as you can. High interest debt is one of the biggest obstacles to building financial independence, so pay those off and get rid of them!
2. **Replenish your emergency and opportunity fund.** If you have drawn down your banking/savings accounts to low levels, use this extra money to build them back up. Plan to have 3-6 months of normal, take-home pay in your bank account for a rainy day.
3. **Start an investment fund.** If you don't need the extra cash now, put it to work by investing it. You'll have access to it later, but for now, get it to grow!
4. **Add to your retirement plan.** If your new employer allows you to start a retirement account right away, use some of the sign on bonus to make a contribution. You'll get a tax deduction and make a nice down payment on your eventual retirement. If you can't start right away with your new employer, think about a Traditional or Roth IRA for yourself or your spouse.
5. **Go have some fun.** Health care workers of ALL people affected by COVID have been overworked and highly stressed. Use this opportunity to get away or do something you've always wanted to do. You deserve it!!!

There might be some things you DON'T want to do with your sign on bonus:

1. **Pay down your mortgage.** While it's never a bad thing to reduce debt, paying extra on your mortgage might not be the best thing. If you have a low interest rate (anything under 4%) and you have been paying on time all along, there's little value in adding extra money to your mortgage now. You're usually much better off to invest that money for yourself now. You can always use it later for the mortgage if you need to. But, building up investable capital now, usually works out better for you in the long run.
2. **Pay down certain types of debt.** High interest debt is onerous and if you have this, you SHOULD pay it down. But, if you're carrying loans at 3% or less interest, you're better off investing the bonus (hopefully earning 6% or more) and then just paying off the debt over time. This approach gives you much more control.
3. **Spend frivolously.** While it's nice to treat yourself, don't go overboard. Whenever you get a windfall – a raise, a promotion, an inheritance – get in the habit of increasing your savings each time. Always put away something for the future.



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