

What to do with Your Next Pay Raise

For this post we'll be referencing a National Debt Relief.com article, "[The Real Effect Of A Salary Increase On Your Life](#)" The article is from 2015 but these are timeless suggestions.

The first thing is to ***Pat Yourself on the Back***. In my opinion, this is very important, because you need to stop and acknowledge your success. If you have received a reward like a pay increase or a raise or even any type of positive feedback at work, take time to enjoy the moment. Sometimes we are so focused on the next goal or milestone that we don't appreciate the success.

Taking time to appreciate the success or patting yourself on the back ties in nicely with the article's second tip, ***Wait Until Your First Paycheck***. You could also call this one as, don't count your chickens before they hatch. Once you receive your first paycheck and understand what affect taxes and deductions have on your new income, you can make decisions based on your new net income, not your gross income. Just because you received a \$1,000 raise, doesn't mean you have \$1,000 to spend or invest.

Once you have that first new net income number, you can move to the article's next tip, ***Reassess your Current Finances***. What areas of your financial life need the most attention? Can you increase mortgage or auto loan payments? Maybe you have student debt that could be paid down. This may be a great time to sit down with your financial service professional to look at your financial picture.

When my clients have a lifestyle change, either from a pay increase or something else, I often suggest they retake the Color of Money Risk Analysis. Has their risk tolerance changed? The Color of Money Risk Analysis uses a color system to categorize retirement assets.

Red Money assets are subject to risk, and can lose value, but that provide an opportunity for growth.

Yellow Money assets, like Red assets, are subject to risk and can lose value but are professionally managed. Professional money managers can help reduce risk and increase growth opportunities.

Green Money assets have a less risk. They may not have as much growth potential as other assets, but your account is less likely to shrink.

The Color of Money Risk Analysis is available through our online financial portal. The Generational Vault is a virtual "safety deposit box" for you to upload important documents and view financial information. It's comprised of several components:

- A secure portal to pass and store confidential financial documents.
- Daily investment and banking values powered by a third-party vendor.
- Snapshots of your financial assets and expenses so you can view your current financial position, receive monthly newsletters and market commentaries, as well as meeting alerts.

Generational Vault is available 24/7, meaning that with internet access, your essential documents are just a click away. Need to look at a document while on vacation? No problem.

Another tip from the article is paying off debt. Paying off debt is always a timeless tip. If your new net income will allow you to reduce debt and in-turn pay less interest, that's often a wise financial move. The article also mentions identifying savings goals. This is another issue that you can discuss with your financial service professional. Your new net income may provide new opportunities to expand your savings, your retirement funds, or your future investments.

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Sources:

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