Building Stability First

EXPAND

Once you understand your financial starting point, the next step is creating stability. A strong foundation makes everything else easier, from saving to investing to long-term planning. This module focuses on the two pillars of stability: managing debt and building emergency savings.

Understanding Debt and Its True Cost

Not All Debt Is the Same

Some debt can support long-term goals. Other types, especially those with high interest rates, can quietly work against you over time.

Manageable Debt

- Student loans used for education
- A mortgage used to purchase a home
- Generally lower interest rates
- Tied to an asset or a long-term goal

Expensive Debt

- High-interest credit cards
- Payday or short-term loans
- Balances that grow quickly if unpaid
- Often tied to spending, not assets

The Role of Interest Rates

Interest is the cost you pay for borrowing money. The higher the rate, the more you pay over time. Even a small balance can become a large problem when interest compounds. Debts above roughly 10 percent interest can grow faster than most investments earn. Addressing these balances first is almost always the right financial move.

High-interest debt delays all other progress.

When a large portion of income goes to debt payments, it leaves less room for saving, investing, and building security.

How to Pay Down Debt Strategically

The Strategy

When you have multiple debts, focus on the one with the highest interest rate first. Paying off the most expensive debt reduces the total amount you pay and frees up resources for other goals.

- List all debts along with their interest rates
- Direct any extra payment toward the highest-rate debt
- Make minimum payments on all remaining balances
- Once the highest is gone, move to the next

Common Pitfalls to Avoid

- Ignoring which debt carries the highest interest rate
- Taking on new debt while paying down existing balances
- Only ever making minimum payments on high-interest accounts
- Feeling discouraged by slow progress and stopping altogether

Consistency matters more than perfection.

Even small extra payments build real momentum. As balances drop, more of your income opens up for saving and investing.

Building Stability First

EXPAND

Building Emergency Savings

Without emergency savings, unexpected expenses often lead directly to new debt. A financial cushion protects your progress and gives you the stability to keep moving forward.

What Emergency Savings Cover

- Medical expenses and urgent care
- Car repairs or unexpected replacement
- Home repairs that cannot be postponed
- A temporary reduction or loss of income
- Any urgent cost you did not plan for

How to Build It

- Start small. Even $25 per paycheck adds up over time
- Automate contributions so it happens without thinking
- Keep emergency savings separate from your spending account
- Use it only for true emergencies, then rebuild

Without savings, every surprise becomes a debt.
Even a small cushion dramatically reduces the chance of falling backward financially.

3 to 6 months of living expenses is the long-term savings goal.
You do not need to reach this overnight. The most important step is getting started and building consistently from wherever you are.

Questions to Ask Yourself

- Do I know which of my debts have the highest interest rates?
- Am I making progress on reducing my most expensive debt?
- If an unexpected expense came up, how would I handle it today?
- Have I started building any form of emergency savings?

Take Action

- Identify your highest interest debt and focus extra payments there
- Set a small, realistic goal for emergency savings
- Automate a consistent contribution, even if it is small