

# Let's Talk Finances

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## Windfall Wisdom: Get the Most Bang for Your Extra Bucks!



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Wisconsin taxpayers may be getting an unexpected windfall thanks to proposed new tax changes. Just like with any windfall, there are wise and unwise ways to spend it. Remember that small steps can yield big results over time. Even if you only put \$20 each month toward one of these goals, that's \$240 in a single year!

Here are some smart spending choices to help you get the most bang for your extra bucks this year:

### **Create or Grow Your Emergency Fund**

According to a recent consumer survey, 34 percent of Americans do not have an emergency fund. As a result, they have no way to pay for unexpected expenses. An adequate emergency fund should consist of at least three months' worth of all fixed expenses, like mortgage/rent, utilities, food, etc. Whether it's unexpected car repairs, home maintenance, or a medical emergency, you're more likely than not to run into an unplanned expense in the future. Use your windfall to bolster an existing emergency fund or open an interest-bearing savings account to jump-start a new one.

### **Pay Off Debt**

Windfalls are a good opportunity to make a significant dent in your debt. You can choose between two popular strategies: tackle the highest interest rate first or prioritize by the size of the principle (the non-interest portion of the debt), either paying off the largest or the smallest principle first. Each of these strategies has pros and cons, so be sure to consult an expert before deciding which one is best for you.

### **Check Something Off Your "Someday" List**

Everyone has a "someday" list. You know: "someday I'll start a college fund for my children," "someday I'll hire a lawyer to write my will," "someday I'll buy a safe for my home," etc. An unexpected financial windfall is the perfect opportunity to check one or more of those items off your list without impacting your usual cash flow.

**Look for Long-Term Value**

Whatever investment you choose to make with your windfall, be sure that it will provide you long-lasting value. While it's tempting to use that extra cash to purchase a new TV or go on vacation, a more patient approach will give you more satisfaction in the long-run.

If you have specific questions about how to best use your windfall, ask your local banker.