

## Do Your Numbers Add Up?

Here are five figures that can add up to a better life and a secure retirement. Virtually all of this material is courtesy of [www.comcast.com](http://www.comcast.com).

### **Liquid Assets**

One might be the loneliest number, according to the rock band Three Dog Night. But if you are in your 30s, you want to strive for a one-to-one ratio when you add up your liquid assets and compare them to your annual income. Liquid assets include a 401(k), an IRA or a brokerage account and savings. But leave your home off the list; it can't be converted easily to cash. In other words, a 35-year-old making \$50,000 should have \$50,000 in savings.

The ratio, according to standard wisdom, increases with age. For a couple aged 40, it should be around 1.5 or higher. At age 45, it should be around 3, and at age 50, it should be around 4.5, says Tom Orecchio, principal of Modera Wealth Management in Westwood, N.J. "This ratio will give you a good idea if you are saving enough of your income to reach your retirement goals," he says.

### **Emergency Cash**

Job losses and the freefall of the U.S. economy during the past two years have put this bit of numerical wisdom to the test. An emergency fund should cover big disasters such as a job loss or time off for medical issues. But right now, so many Americans are struggling just to pay their bills. To many, salting away three months' living expenses seems impossible, let alone the six-month cushion some experts prefer, says Marcia Brixey, author of "The Money Therapist: A woman's guide to a healthy financial life."

One suggestion: Don't put a rainy day fund in the bank or credit union you use regularly. "It's way too easy to transfer money into your checking account for things that are NOT emergencies," Brixey says. Stash contingency cash in CDs, a savings account or money market account. You won't earn a lot of interest, but it will be easier to access when you really need it.

### **Credit Utilization**

To get your credit utilization percentage, divide the sum of all your credit card account balances by the sum of all your credit card limits. If it's higher than 10 percent, you have three options, according to John Ulzheimer, president of Consumer Education at [credit.com](http://credit.com). "You can apply for additional credit cards and increase your credit limit, you can lower your credit card debt, or a combination of the two," he says. Credit utilization is one of the factors that influences your credit score, so "keep that number as low as you possibly can," Ulzheimer says. Consumers with credit scores of 760 and above have an average utilization of about 7 percent.

### **Savings Rate**

Although this figure used to be a minimum of 10 percent, experts now endorse bumping your savings rate up to 15 percent. Subdivide that into 10 percent for retirement and 5 percent for shorter-term savings, such as a vacation. "The rule is sometimes expressed as 90/10 or 85/15 where you spend the first number and save the second number," says Orecchio.

### **FICO Score**

FICO, the company whose credit scores are used by most lending institutions to assess a borrower's creditworthiness, recently released data showing 35 percent of credit card users fall below the 650 mark. That's up from 27 percent pre-recession. That means more than one-third of Americans are only eligible for subprime loans, Ulzheimer says. On the other hand, a credit score of 750 or above will get you approved for the best deal anybody has to offer, he says.

Helpful link: <http://www.bankrate.com/calculators/credit-score-fico-calculator.aspx>

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