



5 Financial Rules of Thumb

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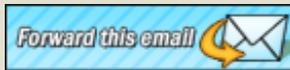
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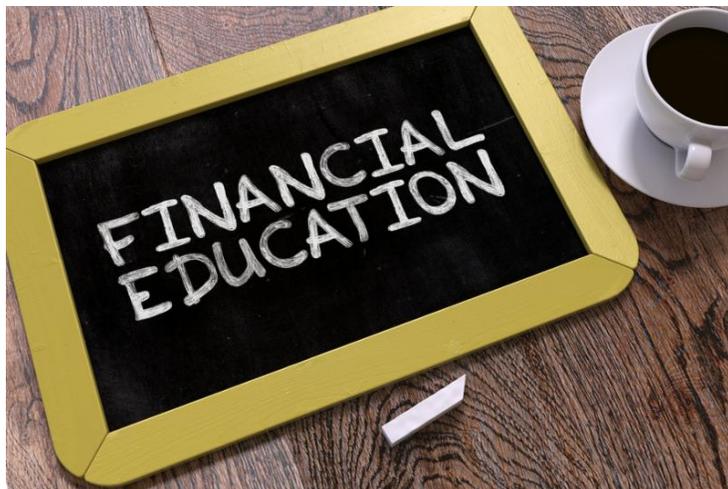
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Rules of thumb can be a good approximate guideline for decisions, and there are tons of money rules that aim to get your finances on track.



While everyone's situation is different, these 5 tips can serve as good starting points.

1) Buying a vehicle

Consider the 20/4/10 rule - When buying a car, you should put down at least 20 percent. You should finance the car for no more than 4 years and spend no more than 10 percent of your gross income on transportation costs. This keeps you from buying more vehicle than you can afford. It also takes your ongoing budget into consideration by calculating total transportation costs.

2) Homeownership

The 20 percent rule - You should put at least 20 percent down when buying a home. This ensures you don't buy more home than you can afford, it can lower your monthly mortgage cost, and it can increase your chances of being approved for a loan.

3) Retirement

The 10 percent rule - This is probably the most traditional rule of thumb when it comes to saving for retirement. Save ten percent of your income toward retirement. This gives people a simple number to work with. If you're young, you've just opened a 401(k), and you're not sure how much of your earnings to set aside, 10 percent is a good start.

4) Student loans

The first-year salary rule - You shouldn't take out more in student loans than you expect to earn during your first year on the job. It ensures you're taking out an affordable amount that you'll be able to repay.

5) Saving & investing

The 6-month emergency fund rule - You should have six months' worth of savings on hand in case of an emergency. This is a big help in case an emergency arises in your life, preventing you from having to make desperate decisions that can set you back.

Source: www.lifehacker.com

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Police Federal Credit Union of Omaha
(402) 391-4040

3003 South 82nd Avenue
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