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Welcome, my name is Andrew Baron, and this is Well… It Depends! The podcast where I discuss financial decisions that can't be answered by a simple yes or no. In this episode, I ask the question, What do I do with an extra $10,000? But before we begin a short disclaimer, this is being recorded on June 10th, 2024. The contents of this podcast are strictly for informational purposes only.

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Nothing said should be taken as investment, tax or legal advice. It's important to discuss with a professional before making any financial decisions, as the strategies discussed may not be suitable for you specifically.

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Getting into it. What do I do with an extra $10,000? Well… It Depends! Before deciding how to use your extra $10,000, it's crucial to take a look at your current financial situation. Consider these questions. Do you have any high interest debt? Such as credit card balances. Do you have an emergency fund with at least 3 to 6 months of living expenses?

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Are you on track with your retirement savings? And do you have any upcoming large expenses or financial goals? These questions will help guide your decision. For instance, if you have high interest debt, paying that down might be your top priority. If your emergency fund is lacking, that may be a wise place to start.

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One of your options with some extra money is to pay down debt, particularly high interest debt like credit card balances. With the average credit card interest rate hovering around 16%. Paying off this type of debt can save you a substantial amount in interest payments over time. If you have a $10,000 credit card bill at 16% interest and you are only making the minimum payments, it could take years to pay off and cost you thousands in interest.

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Using your $10,000 today will help eliminate that debt and provide you a guaranteed return equivalent to the interest rate of that debt. Significantly improving your financial health.

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Another prudent use of your $10,000 is to build or bolster your emergency fund. Life is unpredictable, and having a financial cushion can provide peace of mind and security. Financial experts recommend having at least 3 to 6 months of living expenses saved in an easily accessible account. If you don't have an emergency fund or if it's not fully funded using your $10,000 to establish or add to it is a very smart move.

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This fund can cover unexpected expenses such as car repairs, medical bills or job loss, preventing you from falling into debt when surprises occur.

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If your debt is under control and your emergency fund is solid, investing your $10,000 could be a great option. There are various ways to invest depending on your goals, risk tolerance and time horizon. But here are a few considerations.

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Retirement accounts, maxing out your contributions to a IRA or 401k can provide tax advantages and help ensure a comfortable retirement down the line. You may also consider investing in a taxable brokerage account and invest in things such as stocks and bonds, which can help grow your wealth over time. If you have children, you might consider an education savings account, such as a 529 plan to help cover future expenses for colleges.

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Remember, investing comes with risks, so it's important to do your research or consult a financial advisor to develop a strategy that aligns with your goals.

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Finally, let's discuss some of the ways to use your $10,000 that can enhance your life and well-being. Upgrading your home can increase the value and improve your quality of life. Focus on projects to offer a good return on investment.

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Like kitchen or bathroom remodels. Investing in your health can pay dividends down the line. Consider spending money on fitness equipment, healthy food, or perhaps even a wellness retreat. Enhancing your skills or education can open up new career opportunities and increase your earning potential. Consider investing in courses, certifications, or workshops that align with your career goals. And finally, consider charitable giving.

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Donating to causes you care about can provide a sense of personal fulfillment and positively impact your community. It's a great way to use your money to make a difference.

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To recap, so what to do with an extra $10,000?

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Well, it depends on your unique financial situation and goals. Whether you choose to pay down debt, build an emergency fund, invest for the future, or enhance your quality of life. The key is to make a thoughtful decision that aligns with your priorities. So to answer the question, what do I do with an extra $10,000? Well… It Depends!