

Let's Talk About...

Paying Off Debt or Investing: Where Should You Start?

Managing your finances can feel overwhelming, especially when deciding where to start. Should you focus on paying off debt? Or on growing long-term investments? Understanding your financial situation and goals can help you make the right choice. Here are a few considerations to help you get started.

Build An Emergency Fund First

Having a safety net of savings will come in handy when unexpected expenses pop up – and keep you from having to dip into your long-term savings. Aim to save three to six months' worth of living expenses in an easily accessible account of your choice, such as a high yield savings account or a money market account.

Assess Debt Types and Interest Rates

The types of debt you have, and their interest rates, will help determine what you should handle first. When you have a loan or credit card balance, the interest charged on the outstanding balance can compound over time, making it harder to pay off the debt. Prioritizing high-interest debt, such as credit card debt, first may be a good place to start since it has potential to accumulate quickly.

According to Fidelity, a general rule of thumb is to first pay down any debt with an interest rate of 6% or greater before investing additional money toward retirement. This assumes you have emergency savings, you've taken advantage of the Halliburton 401(k) match, and you've already paid off credit card debt. It also assumes you're investing in a tax-advantaged account, and you have a balanced asset allocation for your investment portfolio. While this is a general guideline, the right number for you may vary. Check out Fidelity's step-by-step guide, ["How to Balance Debt, Saving, and Investing"](#) for more information.

Take Advantage of Halliburton's 401(k) Match

To get the full match, contribute at least 6% of your salary. It's essentially free money and can significantly boost your long-term savings.

Consider Your Financial Goals

If you have short-term financial goals, such as saving for a down payment on a house or a major purchase, it may be wise to prioritize debt repayment. This can improve your credit score and borrowing capacity, making it easier to secure loans with favorable interest rates. Keep in mind, a low credit score can also impact other aspects of your life such as insurance premiums and rental applications.

For long-term goals like retirement, investing early can take advantage of compounding returns and give your investments more time to grow. For more on this topic, see [“Let’s Talk About... Organizing Your Finances”](#).

Evaluate Your Risk Tolerance

Consider your risk tolerance when deciding between debt repayment and investing. Debt repayment provides a guaranteed return, while investing involves market fluctuations and potential losses. If you have a low risk tolerance or are uncomfortable with market volatility, focusing on debt repayment may provide more peace of mind. While investing has the potential for long-term growth and compounding returns, growth and returns are not guaranteed.

No matter what type of investor you are, the Halliburton Retirement and Savings Plan has a number of features to help you invest in a way that makes the most sense for you. For more on this topic, see [“Let’s Talk About...What Type of Investor You Are”](#).

Find a Balanced Approach

Finding a balanced approach is often the best strategy. Allocate a portion of your available funds towards debt repayment while also investing for the future. This way, you can make progress on reducing debt while taking advantage of potential investment returns.

Talk to a Professional

Get an outsider’s perspective on where to start by scheduling a complimentary one-on-one session with a Fidelity Workplace Planning Consultant. Call (800) 603-4015 or make an appointment [here](#).

Take Care of Your Mental Well-Being

Making progress toward your financial goals and managing debt can be stressful. Halliburton’s Employee Assistance Program can offer guidance, financial education, and temporary relief to help you navigate difficult situations. Visit Halliburton’s EAP website for more tips and to connect to free, confidential counseling sessions.

Sources

[Should I Pay off Debt or Invest Extra Cash? \(Investopedia\)](#)

[Should You Pay Down Debt or Invest? \(Fidelity\)](#)

[6 Steps to Creating an Emergency Fund \(Morgan Stanley\)](#)

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