

GETTING A RAISE AT WORK CAN BE DANGEROUS



Summary: You may think that you can go out and immediately spend your new and improved income, but take your time to find out exactly how much you actually get to take home of that raise.

Receiving a raise or end of year bonus is a great feeling. You are pretty much being told by your boss that you are valued and have done a great job. When you receive that raise, there can be drawbacks.

- **See [Asking for a Raise](#) for more information.**

You probably have never thought about [receiving a raise as a bad thing](#), but imagine what happens when you let the increased money go to your head, leading to poor financial decisions. In order to prevent this from happening, [keep making smart choices](#) for the days, weeks, and months after the raise.

Here are tips to make the adjustment smooth and smart:

- Wait a few weeks after the increased income to change your spending habits. This will allow you to see how much actually ends up in your pocket compared to what ends up with the government.
- Reassess your current budget to see what areas you can eliminate. It is always a good idea to look at your budget and look for ways to reduce parts of it, which may mean getting a new insurance quote or even evaluating your cell phone bill. Consider paying off debts first with any extra money found in your budget or coming in from your raise.
- Reinvest in your retirement. Many employers match your contributions to your retirement portfolio, so consider increasing your amount by even \$50 a month to make a huge difference in the end.
- Pay off debts so that you can finally put your money into the fun stuff. While you would rather go out and buy a new car with your raise, eliminating the wasted money going to interest on your debt will make a bigger impact in your total budget down the road. Many people prefer to pay off the smaller debts first, but paying down the debts with the highest interest is recommended.
- Be prepared for tax time. You may need to increase your withholdings, because no one likes to owe money to the IRS when they file for taxes. Depending on how much your raise is, it may push you into a new tax bracket, so your normal deductions and credits no longer apply like you want them to.
- Give back to charities and other nonprofit organizations. This is great because you will receive deductions when filing your taxes based on your donations, and it is a nice thing to do.
- Still leave a little time to plan something fun. This may mean going out to that fancy restaurant you have been dying to try or a weekend getaway. It doesn't have to be something big and expensive to be enjoyable.

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