

## Five Financial Resolutions for a Prosperous New Year

You have goals for the New Year, things you want to accomplish for yourself or your loved ones, or a cause you want to support. And because some of your goals likely involve money, personal finance experts suggest making a New Year's financial resolution to help attain them.

"Absolutely, making financial resolutions for the New Year is a smart thing to do," said Joseph R. Birkofer, CFP®, principal at Legacy Asset Management Houston, Texas. "It puts a person on the road to meeting their goals and controlling their own financial future."



The key to keeping a New Year's financial resolution, he said, is to "put a due date on it" — set a goal that's reasonable and not too daunting to attain, peg a date by which you aim to attain it, then put it down in writing, whether in your smart phone's calendar, or in a pocket or wall calendar to which you refer often. Once the calendar turns to January 1, what you want is a financial resolution that is both impactful and easy to keep. Here are a few to consider:

**1. Create an emergency fund** to cover unexpected expenses. While one rule of thumb said the fund should include enough to cover six to 12 months of household expenses, Birkofer suggests as a starting point to set aside enough to cover insurance deductibles — health, auto, homeowner's/renter's, etc.

Set the money aside in an account you won't be tempted to raid, such as a CD (certificate of deposit, available from virtually any financial institution), which typically offers an interest rate slightly higher than that of a savings account, with negligible penalties for withdrawing funds early.

**Tip for success:** Build an emergency fund incrementally. By the end of the first quarter of the year, save enough to cover your health insurance or homeowner's/renter's insurance deductible, for example, then in each quarter thereafter set aside enough to cover other deductibles.

**2. Save (more) toward retirement.** If you don't have an IRA (individual retirement account) or some kind of work-based retirement plan, such as a 401(k) or pension, establish one yourself or get involved in whatever plan your employer offers, Birkofer suggests. Even setting aside (or increasing your plan contribution) a little bit can make a major difference down the road. To find a plan that's right for you, ask your employer or a financial adviser for guidance.

**Tip for success:** Through your bank and/or employer, set up automatic contributions to your retirement plan.

**3. If you have a child, start saving for college.** Tax-favored college savings plans (such as a state-sponsored "529" plan) typically are simple to set up and maintain, with contribution requirements as low as \$25 a month, notes Birkofer. Whether it's for an infant or a teenager, it's worth setting up a plan.

**Tip for success:** Make it your goal to set up a college savings plan by the child's next birthday, and set up automatic contributions.

**4. Review last year's tax returns** and, if you received a refund, work with your employer to **adjust your tax withholding rate** so extra money stays in your paycheck rather than going to the government in what amounts to an interest-free loan from you. The average federal tax refund in 2013 was \$3,000, said Birkofer. "Who wouldn't want an extra \$250 a month" to save, spend or to pay down debt?

**Tip for success:** Put that extra money to constructive use (to pay down a credit card balance or put toward retirement, for example), but use some of it to **reward yourself**, too, with a meal at your favorite restaurant, a golf

outing, a spa treatment, etc.

**5. Review your insurance policies** — homeowner's, health, auto, etc., and assess whether that coverage is appropriate to your situation. Are you missing out on discounts? Do you have more, or less, coverage than you need?

**Tip for success:** Consult a financial planner or insurance agent for help reviewing your insurance. Just one hour of their time can result in hundreds, even thousands, of dollars in savings.

Other financial resolutions worth considering:

- **Review utility bills** — phone, Internet, cable TV, etc. — to look for savings opportunities via bundling, switching plans, etc.
- **Review how your retirement plan assets are allocated** and rebalancing (reallocating) them as necessary, preferably with the help of a financial planner.
- **Review your credit history/credit score** via the major credit agencies, looking for discrepancies, red flags indicating potential identity theft issues, unused accounts to close, etc

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## Workplace Goals for the New Year



The new year brings hopes and dreams for the future. You've made your resolutions -- to lose weight, exercise, plan a dream vacation, for example. Don't forget, however, that you also spend one-third of your day at work. You can improve your on-the-job enjoyment and your productivity by making the following work resolutions.

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## Exercise Goals for Healthy Living



You know it's important to stay active but still find yourself falling back on old habits. What can you do? Planning for exercise isn't hard if you make it a priority. To do that, you need to develop goals and an exercise plan that matches your needs and interests.

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