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12 IMPORTANT FINANCIAL RESOLUTIONS

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Very few things in life are as important as getting your financial house in order. While many New Year's resolutions dissipate rather quickly, consider making some financial resolutions a priority and you will be one step closer to getting your financial house in order.

1. Write down your most important financial goals:

This can be an important starting point by compiling a list of what you want to accomplish in life, whether it be to retire early, buy a vacation home, travel, start a business, etc. By committing these goals to paper, this provides concrete objectives for which to strive and attain.

2. Develop or revisit your financial plan: Consider working with an advisor on a financial plan or, if you have done so already, revisit that plan to make sure it is still viable. Financial plans create a foundation for your long-term financial well-being. By having a financial plan in place, you have visibility into your current financial situation and an evolving working model to help you realize your future financial goals.

3. Review current investments and your risk tolerance:

This should be done at least annually, if not more often, especially when life situations or circumstances change. Compare the performance against a benchmark to measure success and make sure your current asset allocation is still appropriate for your situation and does not exceed your tolerance for risk.

4. Create a budget and track spending: This does not have to be complicated, but try to develop a plan of how your income will be distributed between spending and savings. Tracking your spending is a great way to create awareness of what you are spending and where. The most common way to track spending is to use either financial accounting software or create a Microsoft Excel spreadsheet and list all expenses each month by retailer or provider.

5. Review and properly manage your debt load:

Not all debt is bad, but it is important to have a good grasp on the most effective methods of paying down debt.

a. Credit card debt: Try your best to pay this off as soon as possible since these usually carry extremely high interest rates. If you have debt on multiple credit cards, try to consolidate it on your lowest-rate card and always pay more than the minimum each month. Once the debt is paid off, do not close the account right away as this will have an adverse effect on your credit score. Going forward, only charge items to the card that you can pay off in total at the end of each month as this will help keep you out of debt.

b. Mortgage: If it makes sense to do so, consider refinancing your mortgage to a lower interest rate if available. Be aware that this will likely cause closing costs. Try not to extend the life of the mortgage beyond the length you currently have.

6. Save more money: If you are able, maximize contributions into tax-deferred retirement accounts. Retirement experts often suggest saving 10-15% of current income into retirement accounts and when within 6-8 years of retirement, increasing to 15-20% or more. However, if you lacked savings discipline earlier in your career, these figures may need to be higher.

7. Be prepared for a financial emergency: Having an emergency fund can save you from going into debt or raiding retirement savings when the unexpected occurs. Consider keeping at least 3-6 months worth of living expenses in liquid assets available to safeguard against an emergency, unforeseen expense, or layoff from employment. A cash cushion can also provide you with important peace of mind.

- 8. Create or update a will:** This is crucial for virtually everybody. No one likes to think about death, but having an up-to-date will can ensure that your assets will be divided according to your wishes. Don't forget to include a power of attorney and health care directives. If you have children under 18, make sure you name a guardian in the will for your children in the event of a simultaneous death with your spouse. Without a named guardian, the government decides the fate of the children. If you have a will, review it annually.
- 9. Review your insurance coverage:** This is an important step to do annually to ensure that your insurance coverage (life, health, disability, auto, homeowners, umbrella, etc.) is appropriate. It also may make sense to bid out your insurance coverage on occasion, especially if your rates increase dramatically.
- 10. Review beneficiary designations:** Neglecting to update your beneficiary designations could have devastating results for your loved ones. Attorneys say this happens more often than you would think when a person dies and the assets or insurance proceeds go to a distant relative, or worse, an ex-spouse! Make sure you update beneficiary forms whenever you have a major life event (marriage, divorce, birth, or death of loved ones) and review your designations every year.
- 11. Be more charitable:** Many people include charitable giving in their budget to give back to their community. If itemizing tax deductions on your tax form, you can often deduct these donations for income tax purposes. Charitable giving can also be an important part of an estate plan, both for lifetime giving and bequests after death. Besides donating money, you can consider donating blood, clothes, toys, and your time.
- 12. Check out your free credit reports:** Under federal law, a consumer is entitled to one free credit report every 12 months from each of the three major credit bureaus: Equifax, Experian, and Transunion. These credit bureaus must provide a central access point where a consumer may request a copy of his or her credit report at www.annualcreditreport.com. It is important to note that they are required to only provide a free credit report and not the actual credit score. It is advisable to do this on an annual basis to ensure that your credit record remains accurate and for awareness against identity theft.

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