

Financial steps to take at the start of the New Year

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By Jennifer Landon

As we transition into the new year, many of us have set resolutions to lose weight, quit smoking, or exercise more. While setting a goal to live healthier in 2016 is great, many of us overlook the opportunity to set financial resolutions as well. I have found that financial resolutions are often times not prioritized simply because many people do not know where to start. Below are some resolutions that can help you get the year started on the right financial foot.

Automate your savings. Rather than just setting a goal to “save more”, make a resolution to automate your savings. Setting up automatic deposits into savings accounts is an easy and smart way to put away more money. Determine an amount that will be automatically deposited into a savings or retirement account each month. Whether you contribute to a 401(k), IRA, or general savings account, you have a better chance of meeting your savings goal by automating the process.

Build a budget. One of the most important steps to take in ensuring you’re on the right financial path is creating a budget. Understanding what money is coming in and more importantly, what money is going out, plays a crucial role in your overall financial success. Start by reviewing your expenses over a twelve-month period and divide them into two categories: fixed expenses (e.g., housing, food, transportation) and discretionary expenses (e.g., entertainment, vacations, hobbies). Once you figure this out, you can identify which expenses you can cut so that you can hopefully save more.

Form an emergency fund. Setting aside 6 to 12 months worth of living expenses is typically recommended for an emergency fund. This money should be in a separate savings account but kept readily available in case of a job loss or other emergency. I recommend keeping your emergency fund in a low risk account that is easy to access, such as a savings account or money market. This way, if something does go wrong, you can be confident in your ability to manage the situation.

Establish or evaluate your estate plan. This may not be the most fun, but creating an estate plan is quite possible the most important financial resolution to make for your family. In the event of your death or incapacity, an estate plan defines how your assets will be divided, as well as who cares for your children and makes your medical decisions. If you do not put a plan in place, the government could decide for you. Be sure to create a will and set up power of attorney, as these documents can be a big help to your family in the case of an unexpected illness or injury. If you still have minor children or more complex estate planning needs, you may want to discuss trust options with an estate-planning attorney. Also remember to update and review your designated beneficiary forms or transfer on death forms (TODs) as these will override your will or trust.

Align your investment plan with your risk tolerance. The New Year provides a great time to evaluate your investments. Focus particularly on your asset allocation and the overall mix of stocks, bonds and cash in your portfolio. Does your portfolio align with your long-term goals and risk tolerance? Make sure your portfolio has a mix of assets that reflects the amount of financial risk you currently want to take on. Since your risk tolerance evolves and changes as you approach retirement, you might want to make this resolution an annual tradition. Also take a look at the fees you are paying as this can have a long-term impact on the amount of money you save. If you are unsure where to start, consider a professional review or second opinion from a financial advisor.

Update your insurance policies. The types of insurance you can purchase are endless. Of course, there is homeowner's, health and auto, but there is also disability, long-term care, life and more. It is hard to figure out if you have the correct insurance as well as the right amount you need. And more than likely the insurance you do have was purchased years ago and could be outdated. There are many insurance options to consider and the choices can quickly become overwhelming and expensive. Take this time to determine what is right for you at this time of your life and seek a second opinion if you are unsure.

Setting financial resolutions can be overwhelming at first but it's an important step to take in order to reach your financial goals. Looking for another resolution you can make? Resolve to set financial goals at the beginning of every year, this way you can ensure your financial house is always in order.

Jennifer Landon, founder and president of Journey Financial Services, is an accomplished advisor, educator and presenter on financial topics. Landon has spent the last decade advising Idaho Falls residents on the wealth and retirement planning strategies needed to help them achieve peace of mind on their retirement journey. She is an Investment Advisor Representative and a licensed life and health insurance professional in the state of Idaho. Landon is a member of Ed Slott's Master Elite IRA Advisor Group, the National Ethics Association (NEA) and the Better Business Bureau. For more information about Jennifer Landon and Journey Financial Services, please visit www.JourneyRetirement.com.

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