

Getting Fiscally Fit In 2007

Resolutions are standard fare at the start of any new year. But most of those resolutions seemingly are crafted by institutions and organizations striving to help Americans secure a financially secure future. Here's a sampling of resolutions that Americans might consider in 2007.

Attack credit card debt. Try to wipe clean your credit slate, suggests the Texas Society of Certified Public Accountants. That group suggests adding up how much you owe on each of your credit cards and then creating a plan for paying off your debt, starting with the credit card with the highest interest rate. In addition, call each of your credit card issuers and try to negotiate a lower rate. Going forward, the Texas CPA Society suggests that Americans resolve to make all purchases with cash or a debit card to ensure that you spend only the amount you have. Meanwhile, Reginald Bowser, CEO of RolloverSystems, said in a recent release that "no one should have more than two credit cards, and your total outstanding balance should never be more than 30 percent of the total credit between your cards." For his part, Bowser recommends paying down your balance monthly, if possible. He also recommends that Americans seek out low interest rate credit card companies (Web sites such as bankrate.com offers objective listings of card rates and information for free).

Save, save, save. Make saving a priority and pay yourself first, is another suggestion from the Texas Society of CPAs. Don't wait until all your bills are paid and you end up neglecting your savings. Most banks and investment companies have processes that enable money to be deposited directly from your paycheck or checking account into a savings or investment account. Next, pick two or three spending categories – entertainment and clothing for instance – and try to trim 15 or 20 percent from the amount you typically spend. Divert this money to your savings and you'll be surprised how quickly your balance grows. For his part, Bowser recommends putting aside ten percent of disposable income - first in cash until the equivalent of three months' salary has been saved, and then in higher yield investment instruments.

Know what you have to work with. Gather your bank statements, bills, investment accounts and retirement accounts and figure out your net worth, suggests OppenheimerFunds. What is your annual cash flow, income and other revenue, and how much are your total expenses? Knowing how much money you have is a critical first step to building a financial plan.

Review your insurance policies. You should review your homeowner's insurance at the start of each year to determine whether your policy amounts are keeping pace with the increased value of your home, according to the Texas Society of CPAs. Do the same with your life and disability insurance to ensure that you have sufficient coverage.

Make tax planning a year-round activity. While some tax-saving activities can be executed at year-end, others require time and planning, the Texas Society of CPAs reports. Examples include offsetting investment gains with losses, shifting income, restructuring your debt to take advantage of tax-favored borrowing and maximizing your itemized deductions.

Make a will. Start off 2007 by resolving to create a will, if you don't already have one, the Texas Society of CPAs suggests. A will ensures that your personal belongings and assets will

go to the beneficiaries you choose. If you have children, a will also allows you to appoint a guardian to care for them in the event of your death. Without a will, that decision may be left to the courts.

Set very specific short- and long-term goals. Women, even more so than men, are extremely goal oriented, and need to understand that retirement and healthcare need to be their number one long-term priorities, OppenheimerFunds reports. Women also respond well to detailed action steps complete with specific dollar amounts so planning for both short and long term goals can help them succeed in the future.

Work with a financial planner. All Americans, but especially women, should work with a financial planner to come up with an objective, reality based plan to tell them where they are and where they are headed if they stay on the current course of saving and spending, OppenheimerFunds suggests. Women tend to be focused on the present and haven't given much thought to how they will finance their future. Advisers can help women take a look at their unique implications, such as long life expectancy, the impact of inflation, potential issues associated with relying on a spouse's pension or health benefits, the timing of Social Security and Medicare benefits and the dangers of carrying too much debt.

The important thing to remember about making resolutions is to regularly check up on them throughout the year to make sure you're on the correct path to financial freedom.

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