

## *Financially Speaking*

With Trisha Arndt

### Get Started and Resolve to Start Planning Your Financial Life

As the new year begins many of us tend to spend time reflecting on the year past and planning for the coming months. This reflection and planning takes different forms for each individual – including thoughts about interpersonal relationships, career and education goals, physical health and mental well being, and, of course, our financial situation.

While in many ways the turning of the calendar is only a psychological event, it is as good a time as any to take stock of where you were, where you are and where you want to be. As you go through this process there are several ideas that I think may be useful, no matter where you are in the path towards your personal financial goals.

Often when people first come to see me it is because they are looking to quantify what exactly their financial situation is. While I encourage people to consider utilizing a financial planner for help, for many just taking the time to write down their thoughts would be very beneficial. This year consider resolving to write down three things – what your finances look like today, what you want them to look like a year from now and what are you going to do to make it happen.

Lets start with your finances today. Everyone should be able to put together an estimated net worth statement fairly quickly. I know that “net worth statement” conjures up images of a team of accountants with calculators and spread sheets crunching numbers but it really doesn’t have to be so complicated. To prepare a basic net worth you simply need to list your assets and debts and figure out which total is higher. The difference between the two totals is your net worth, either positive or negative (more assets than debt is positive and vice versa is negative).

Your assets include things like your home, bank account balances, retirement and investment account values, etc. You can also include the value of personal property like vehicles, boats, furniture, etc. Remember – those physical assets are only worth what you could reasonable sell them for today, not what you paid for them. Your debts include any money that you owe including a mortgage, credit card balances, car loans, etc. Once you have your two lists, subtract your total debt from your asset total and that is your net worth.

In addition to determining your net worth I would encourage you to also put in writing some other basic financial information including your current income and an estimate of what your monthly expenditures are. Be sure to list what you are saving currently and what that money is intended for. For instance, if you are contributing to an employer 401k plan write down what percentage of income you are contributing towards your

retirement. Similarly, if you are saving money for an upcoming vacation or new vehicle list how much you are saving currently and where you are putting it.

Once you have laid out your current financial situation spend some time developing goals for the coming year. Make sure they are realistic and attainable but put them in writing. For instance, a goal may be to reduce your total debt by \$2000, to increase your retirement savings percentage or to save enough money to take that long awaited trip to Disney.

Once you have laid out both what your current financial situation is and how you would like it to change over the coming year you can develop your plan for accomplishing that goal. Often times the biggest obstacle to reaching a financial goal is not having a clearly laid out plan for reaching it. For instance, if your goal is to reduce debt by at least \$2000 over the coming year you may resolve to use \$1000 from a tax refund plus \$100 a month to pay extra principal off on a credit card. That may mean going out to eat less or going without that new iPad but if you have the goal clearly defined – and written down – it will make it much easier to make those decisions.

The really fun part of this exercise will be when you pull out the plan that you write down today at this time next year. You'll be able to update your net worth statement, compare your income, expenses and savings rate, and, most importantly, see how you did in accomplishing your goal(s).

If you have a question that you would like answered or a suggestion for a topic for a future column please feel free to contact me via email at [Trisha@wealthstrategies.biz](mailto:Trisha@wealthstrategies.biz).

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