

Financially Speaking

With Trisha Arndt, CFP®

Start the New Year on the Right Financial Foot

Next year will be different.

Despite having failed miserably in virtually every past year to keep my New Year's resolutions I am confident that 2010 will be the year. Right.

Ok, so maybe I won't completely accomplish every goal that I set for myself but at least I'll take a big step in the right direction and that in itself is something of value. I suspect that many of you, like myself, spend the last couple weeks of the years reflecting on times past and planning for the future. While you are reflecting this year I urge you to include a few of the following on your potential list of resolutions for 2010.

Pay off all credit card debt. It seems like a simple statement but the fact is that the average American household still has several thousand dollars of credit card balance. I know you've heard it before but it bears repeating – credit card debt, especially when interest rates reach the double digits, can be a significant drag on your long term finances. Make an effort to pay it off and then either tuck the card away for emergencies or make sure that it is paid off each month going forward.

Save for a rainy day. If the financial crisis of 2008 taught us nothing else it certainly showed us that no one can consider themselves immune from unexpected hard times. Even executives at what were once considered the most solid of institutions found themselves without work and unable to find anything new. Many people are still struggling to find employment and hard times are not just relegated to the unemployment line – unexpected home maintenance, car repairs or health issues can arise at any time.

The rule of thumb is to try and keep six months worth of expenses in an accessible account but not being able to meet that target is not an excuse for not getting started. For 2010 consider setting yourself an attainable goal – maybe to have \$1000 in savings by year end – and really work to stick to it.

Start a college and/or retirement savings plan or review the one that you have. Even though putting a child through school or retiring may seem like they are far in the future now is the time to start planning for them. There are a number of tax advantaged ways to save for both college and retirement. If you haven't done so already research your options and make 2010 the year that you get started.

If you are fortunate enough to have a retirement plan offered through your employer make sure that you are taking full advantage of any matching contribution that is offered. Not doing so is like literally turning down part of your pay.

If you have had the foresight to put together a long term savings plan already consider taking the time to review it to see if you are on track and if you are making the most use of the options available to you. Many contribution limits index up periodically so if you haven't checked recently you may find that you could contribute more in 2010 than you have done in the past.

Review your estate plan. I've devoted several columns over the years to talking about the importance of having a plan in place, regardless of your means or circumstances. An estate plan can include among other things items like naming guardians of minor children, appointing a Power of Attorney to act on your behalf and making sure that your beneficiary designations are accurate and current. Everyone has an estate plan – if you haven't made the effort to spell your wishes out than your plan is for the court system to make those decisions for you.

Start with the little things and work from there. I can't tell you how much heart ache and hassle could be avoided if people simply made the effort to review their beneficiary designations. All too often retirement accounts or life insurance policies get left to ex-spouses or name people that have long been deceased. A simple form could potentially save your loved ones from having to face that kind of mess at a time when they are already grieving.

As we turn the calendar over to 2010 I wish you each a happy, healthy new year filled with accomplishments. Oh, and a dash of fun too!

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