

Revisiting Financial Resolutions in the New Year

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Last January's Wealth Management Insights discussed how creating a budget, using credit cards wisely and taking advantage of company benefits could help you get fiscally fit in the new year. While that advice very much applies in 2015, this January's Wealth Management Insights builds on last year's resolutions by exploring more advanced strategies that can improve your bottom line.

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What financial resolutions are you making for 2015? Share with us @rwbaird using the hashtag #BairdNewYear.
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What you should know:

1. Once you've mastered budgeting, start calculating your personal net worth.

- To calculate your net worth, add up all your assets (including investments and property) every month and subtract your liabilities (including credit card debt and mortgages). After a few months, you'll see if your finances are improving, declining or treading water.
- Tracking your net worth can not only alert you to dangerous trends in spending and borrowing but also hold you accountable to your goals.

- Free online services like mint.com and personalcapital.com can help you track expenses and calculate your net worth.

2. Know thyself. Understanding your feelings about money and debt can lead to insights into your financial behavior.

- Many people strive to pay their mortgage off early, even though – from a purely financial standpoint – they would be better off keeping the mortgage and investing the payments. Only you can decide if the advantages of living debt-free are worth the tradeoff. ▶

- It's one thing to identify where you can reduce expenses every month – but are you actually using those reductions to build a savings account? Make sure those “savings” aren't actually being spent elsewhere.
 - Everything we spend money on reflects a choice. When analyzing your spending habits, challenge every expense, including those associated with where you live, how often you eat out and what you drive.
- 3. Understand how credit cards work – both for and against you.**
- Credit cards may quote an annual interest rate, but it's charged daily. If you're carrying a revolving balance, paying your bill before the due date can save you interest that's building every day.
 - Having trouble reigning in credit card debt? Go back to cash. For example, if you know you're likely to overspend at a department store, bring a reasonable amount of cash with you, and leave the card at home.
 - If you pay off your card(s) every month, make sure you're taking advantage of any credit card perks. Some cards give travel discounts or even cash for purchases you were going to make anyway.

What you should do now:

Whether or not you're able to heed last January's advice, the best time to improve your bottom line is right now. Your Financial Advisor can help you create – and stay accountable for – your personal financial resolutions in the new year. ■