

Setting Financial Resolutions That Last in the New Year

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Many new year's resolutions are set with the best intentions to stay on track – however, the perennial challenge is making them stick. In the spirit of fresh starts, December's Wealth Management Insights offers suggestions on how to set and achieve financial resolutions for 2018.

What you should know:

1. Pick specific ways to save more and spend less.

- Pay yourself first. Save a portion of your paycheck before you spend any part of it. Take advantage of automatic payroll deductions to deposit a set amount into your savings account each month.
- Set a budget. Creating a formal budget can not only help you avoid overspending, it can give you insight into your financial habits. Look for spending patterns and determine how you can cut unnecessary purchases.
- Expect the unexpected. Build an emergency fund to cover unforeseen expenses or a financial crisis. Aim to save three to six months of living expenses. Set up a new savings account that's

separate from your general savings account to avoid the temptation of dipping into it.

2. Commit to a plan to pay down debt.

- If you have multiple loans, develop a strategy for paying them off. Pay down the loans with the highest interest cost first. And once one loan is paid off, redirect those payments toward another loan rather than spending that newly available cash.
- Pay more than the monthly minimum on credit card balances. This will reduce the amount of interest you pay and shorten the period over which you pay it. According to the U.S. Census Bureau and Federal Reserve, the average U.S. household has more than \$16,000 in credit card debt. Make credit card purchases only when you know you can fully pay off the balance each month. ▶

- If you struggle with credit card debt, commit to using cash only. No amount of credit card redemption points or miles is worth the cost of interest on unpaid balances. Avoid cards with annual fees, as they can sometimes negate the value of those rewards.

3. Organize and protect your finances.

- Check your credit score. Review your credit report on a regular basis to ensure your information is accurate and avoid identity theft. Look for ways to boost your score through simple steps like paying your bills on time and building a long credit card history.
- Take steps to protect yourself. Consider signing up for a credit monitoring service or set up a credit freeze or fraud alert if you're

concerned you may be at risk. Use the new year as a prompt to reset all your online logins and passwords.

- Review your estate planning documents. Changes in laws, a family member's health, or your state of residence can warrant re-examining your documents to keep them current with your life.

What you should do now:

The best way to follow through on any new year's resolution is to evaluate your progress on a regular basis. Your Baird Financial Advisor can help you set financial goals that will have a lasting impact in the new year and beyond. ■