

Getting financially fit in the new year.

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One of the most common New Year's resolutions is becoming physically fit. While that's certainly a worthy goal, becoming financially lean can be just as important to your future and peace of mind. January's Wealth Management Insights provides steps you can take to become fit financially.

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What You Should Know:

1. If you're just starting out, you're likely at your most financially vulnerable – many young people have new expenses (such as a mortgage) and debt (such as student loans) with little income to service them. For them, financial fitness requires establishing sound financial habits.
 - Create a budget. A budget can help keep you from overspending and lead to insights about your own spending habits.
 - Use credit cards wisely. A Dun & Bradstreet study found people spend 12–18% more when using credit cards instead of cash. Think twice when using credit for unnecessary expenses, and have a plan to pay off balances quickly.
 - Start saving for retirement. Not only does it help you focus on your financial future, but you can maximize the benefits of compound interest and reinvestment.
2. If you're well-established in your career, you've probably seen your income rise from when you started working. That increased income potentially creates your greatest opportunity to get financially fit.
 - Eliminate debt. Not only does debt sap your current spending power, it can negatively affect your ability to borrow money in the future. Pay more than the minimum to save on interest and retire debt early.
 - Maximize available company benefits. Save enough in your 401(k) to trigger any company match. Take advantage of your health plan's preventive office visits: Detecting a serious health concern early could save you money as well as heartache. ▶

- Create an estate plan. Spelling out how your assets should pass to your heirs can ensure the people and causes you care about are provided for. An insurance policy can also provide your family peace of mind.

3. If you're retired or nearing retirement, financial fitness may center on maintaining your wealth rather than growing it. A little preparation can help you live the retirement you want.

- Simplify your budget. Paying off larger expenses like a car loan eliminates interest payments and can make your monthly budget more manageable.
- Consider delaying Social Security. Waiting until age 70 to file for Social Security can increase your monthly benefit by 76%, compared to age 62.

- Review your portfolio. Holdings in company stock may be skewing your overall asset allocation. Diversification is especially important in retirement, as investors may not have the income needed to counter a market downturn.

What you should do now:

Like physical fitness, financial fitness takes planning, perseverance and discipline – but the rewards can be well worth the effort. In both cases, a professional helping you focus on your long-term goals could prove invaluable. Your Baird Financial Advisor has the tools and insight you need to help keep you financially fit in the new year. ■