

Time to Make New Year's Financial Resolutions

By Andrew Menachem

With the start of a New Year, now is an excellent time to set some financial goals for 2013. After all, it's difficult to achieve a secure retirement, purchase a new home or save for a child's education without taking steps to put your plan into action.

To help get the year off to a positive start, here are 10 New Year's resolutions that can improve your financial situation.

1. Reduce your credit card debt. Most Americans have a hard time paying off their credit card balances every month. As a result, a large chunk of a typical monthly payment is applied to the interest costs. That's good for the credit card company, but not for you. So, try to pay as much as you comfortably can on the credit card with the highest interest rate until you can get down to zero. Then, tackle the next one, until you have paid off all your credit card debt. From then on, resolve to pay off your charges in full every month.

2. Start saving. Open a savings or a money market account and keep adding funds with every paycheck. While it's hard to get excited about today's rates, you can start building a stockpile of cash that's readily available in the event of a financial emergency. Another benefit is that your savings might offset the monthly fees on your checking account.

3. Maximize your retirement plan contributions. Adding funds to a 401(k), IRA, SEP-IRA or similar plan is an excellent way to save for the future. Many employers will match your contributions, but even if they don't, you'll still enjoy substantial tax benefits.

4. Maintain a balanced household budget. Invest a little time each month to tracking your income, bills, debt payments and savings. There are plenty of applications that will guide you through this process, until it becomes a habit. It's the best way to gain control over your personal finances and reduce your stress level.

5. Engage a financial advisor. It's difficult to navigate the complex world of taxes, investments, insurance and estate plans without the help of a financial professional. Build a team that includes a knowledgeable accountant, attorney and investment advisor to help you understand your options and make better financial decisions.

6. Diversify your investments. This is one of the fundamental principles of long-term financial success. Rather than put all your money into one company's stock or a big certificate of deposit (CD), your strategy should focus on building a varied portfolio that could include stocks, bonds, real estate and other types of assets. This reduces the volatility in your portfolio so you sleep better at night and helps you stay focused on your long-term goals.

7. Don't buy anything you don't understand. Talk with your financial advisor about the different types of assets you can add to your portfolio. There are securities that can help to hedge your investment risks and potentially boost your returns, but be sure you understand how they work. Remember that there is no secret recipe or "black box" formula for investing, so be very skeptical if someone promises investment returns that sound too good to be true.

8. Review your health insurance options. As the provisions of the Affordable Care Act (ACA) take effect this year and in 2014, you may have new options for your health insurance. Take a close look to see if there are ways to increase or adjust your coverage without adding to your premiums.

9. Draw up a will. If you haven't already done so, take the time to prepare a will that specifies how your assets will be distributed in the event of your demise. Your attorney can also

assist with other estate planning strategies, and draw up documents like a living will that provide a guide for your loved ones if you become incapacitated.

10. Don't try to get rich in one year. Unless you're lucky enough to win the Lottery, you probably won't get rich quick in 2013. That's because it takes time to accumulate wealth. Be patient and persistent, though, and you can move steadily closer toward achieving your goals in life. Good luck!

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