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Financial Resolutions for 2013

Tags: financial strategies [1]

Give your finances a boost this new year. Here is a list of financial resolutions to help you become better off at the end of the coming twelve months:

Eliminate personal debt. - Brad and Angie had fallen into the very common habit of buying lots of 'stuff' with their credit cards and soon were carrying a balance from month to month. At 19.9%, it is very expensive to live this kind of lifestyle. And any new purchases attract the same financing charge from date of purchase.

To start getting ahead, they quit using their credit cards and simply stopped making truly unnecessary purchases. Brad and Angie realize that they have to be less inclined to make purchases of 'want' items by convincing themselves that they are necessary.

Be prepared for annual bills - Jason was always scrambling at property tax time to pay the bill. This year, he took last year's amount, added ten percent and divided by twelve. He arranged to have this amount withdrawn automatically from his bank account each month and deposited into a separate savings plan. A few months after starting this plan, Jason barely noticed the withdrawals. When property tax bill arrives, he will have the full amount to pay it without scrambling for the funds. Plus, he earns interest on his property tax deposits.

Invest regularly - Curt and Courtney want to save regularly, but found that there was more month left at the end of their pay cheques. They decided to pay themselves first. Easily said, but how do you do it?

By committing to a set percentage of income each month is the best start. Curt and Courtney opened a joint investment fund account and arranged for 20% of Courtney's income to be withdrawn from their bank account each month for deposit to the investment account. They will adjust the amount withdrawn annually to reflect increases in income. Their goal is to have the investment fund account pay them income once the balance reaches $25,000 to help cover the cost of their annual summer vacation. Curt and Courtney will continue to make deposits to their plan from current income. This investment income will eventually cover more lifestyle expenses.

Invest tax refunds and windfalls - Kathie makes regular deposits to her RRSP and gets a nice refund every spring. In the past, she would go on a little spending spree and really had nothing to show for it at the end of the year. This year, Kathie will deposit her refund cheque in her RRSP. This will also increase her contribution amount and give her a larger refund next year.

Let's say that her refund is $2,500 each year. By putting her refunds into her RRSP each year and assuming 6% annual compound return, Kathie's RRSP will be about $91,964 bigger in twenty years.

Don't give up - New Years Resolutions don't always get followed. If you fall off track, get back on and try again. Don't be too hard on yourself if you stray from your plan. Richard Exely said, *'Failing doesn't make you a failure. Giving up, accepting your failure, refusing to try again does!'* Try starting with one financial resolution and add more over time. You don't have to do it all at once.

Questions about money management?

Contact our office! [2]

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