



## **‘TIS THE SEASON FOR RESOLUTIONS**

*Get Financially Fit in 2009*

GREENWOOD VILLAGE, COLORADO—Look in the mirror. Will you resolve to get healthier in 2009 by losing weight or giving up smoking? Look in your wallet. Should you commit to improving your financial fitness?

“Strengthening the health of one’s financial management is a New Year’s resolution that would benefit all Americans,” says Ted Beck, president and CEO of the National Endowment for Financial Education® (NEFE®). “The greatest gift you can give your family in 2009 is financial stability. Especially in a recession, it’s important to set a plan in motion to get out of debt and prepare for the uncertainties of the future.”

Beck suggests these five basic tips to shape up your finances in 2009:

### **1. Know where your money goes.**

As elementary as it sounds, you should be spending less than you earn. “Ask yourself if you are buying things you really need—or instead, items that you want,” Beck suggests. “An honest response to this question will tell you if you need to rethink your spending habits.” If you have not tracked your expenses, for example by using a budget, or if overspending is a frequent behavior, consider it a red flag. Go to [www.smartaboutmoney.org](http://www.smartaboutmoney.org) and download the *Tracking Your Expenses* worksheet to help monitor your spending on everything from utility bills and gifts to lattes and lunches. A concentrated look at your spending may help you identify leaks that could go toward paying off debt or establishing a savings.

### **2. Get control of debt.**

“Excessive debt can quickly become a very serious situation,” Beck warns. If you pay late or make only the minimum payment on your credit card balances each month, run your cards up to their maximum limits, or juggle debt among several accounts, you are in the danger zone. You should begin by developing a debt priority approach using the *Debt Recovery Worksheet* on SmartAboutMoney.org. Determine the debt with the highest interest rate and resolve to pay that obligation first (while still making payments on other debts). Once that debt is paid off, continue to pay the same amount toward existing debt, prioritized by the next highest interest rate. If you are struggling to meet your obligations, you should call your creditors to ask for a lower interest rate, or work out a repayment plan. Another option is to work through a nonprofit credit counseling service to negotiate a manageable repayment plan with your lenders. If you choose a

credit consolidation service, make sure the company is reputable. Check with the Better Business Bureau ([www.bbb.org](http://www.bbb.org)) to research and locate one that you are comfortable with.

In this volatile economy, you should avoid borrowing against your home equity to consolidate debt. Your home could potentially devalue as a result of the soft housing market. “And if you are behind in your mortgage or being threatened with foreclosure, take action immediately,” Beck says. Call your lender as soon as you realize you have a problem to discuss options. Another source of assistance is HOPE NOW, an alliance of U.S. Department of Housing and Urban Development approved counseling agents, servicers, investors and other mortgage market participants that provides free foreclosure prevention assistance. To learn more, go to [www.hopenow.com](http://www.hopenow.com) or call 888-995-HOPE.

### **3. Start saving today.**

Once you have identified spending leaks and developed a plan to get out of debt, it’s time to look at the other side of the money equation. Start the year off right by saving regularly—even if it’s just a small amount. Savings can help you lessen your dependency on credit the next time a financial need arises. “Set a goal of saving between three to six months of living expenses in an emergency fund,” Beck suggests. “If you don’t think you can put this amount away, revisit your spending habits to see where you can cut back.”

Remember to focus on long-term goals, such as retirement, as well. “If you have a retirement plan at work, one of the smartest financial moves you can make is to take full advantage of matching contributions from your employer,” Beck says. “Contribute to your employer-sponsored savings plan at least up to the ‘company match.’ Don’t leave this ‘free’ money on the table, unless you absolutely cannot afford to.” If you’re self-employed or don’t have a company retirement plan, set up an Individual Retirement Account (IRA), Simplified Employee Pension (SEP), or other retirement savings plan now to take advantage of tax benefits.

### **4. Protect your assets.**

The new year is a logical time to take a hard look at how you are protecting your assets through auto, home, life, disability and health insurance policies. Are you and your property adequately covered? As your premiums come due you should shop around to see if you can get a better deal from another insurer. You also might consider taking higher deductibles to lessen your expenses. With life insurance you should double-check your beneficiaries. Are they still the people you want to receive a payout? If not, contact the insurance company for a change of beneficiary form.

This also might be a good time to evaluate your career and job skills. Are your skills comparable to those looking for jobs similar to yours? If not, take the time to network with groups in your industry and consider taking a class, either at night or online, to keep yourself competitive in the marketplace.

### **5. Organize your financial records.**

As you look at your financial paperwork, divide it into two buckets—one for documents you can store at home and another for items that should be placed in a safe deposit box at a bank.

Generally, records which are difficult to replace—such as birth certificates, Social Security cards, car titles and insurance policies—should be kept in a safe deposit box. When it comes to bank and credit card statements, most companies provide a history online so you don't have to maintain records at home. However, basic legal documents should be kept indefinitely. Information to support your income tax returns, such as cancelled checks and receipts for deductible expenses, should be kept until the chance of an IRS audit passes—in general, seven years following the date when the return was filed. This also is a good time to get an updated credit report to check for inaccuracies and keep in your records. You can order a detailed summary from the three major credit reporting agencies—Equifax, Experian and TransUnion—by visiting [www.annualcreditreport.com](http://www.annualcreditreport.com) or calling 877-322-8228.

For more tips on getting financially fit in 2009, visit [www.smartaboutmoney.org](http://www.smartaboutmoney.org).

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