SMART MONEY RULES: FINANCIAL WELLNESS

Nine steps to Improving your Financial Wellness

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FINANCIAL WELLNESS STARTS TODAY

January is Financial Wellness Month. Financial wellness is about ensuring all aspects of your financial life are in good shape. It reminds us to pay closer attention to our financial wellbeing. It comes right after the hustle, bustle, and spending that comes with the holiday season, helping us slow down and prepare our finances for the new year.

This includes the basics, like a monthly budget, having an emergency fund and ensuring that your debts are under control. This is a good time for investors to review their overall financial plan and make any adjustments to ensure that they are on track.

9 STEPS TO IMPROVING YOUR FINANCIAL WELLNESS

STEP 1 INCREASE YOUR FINANCIAL LITERACY

As the saying goes, knowledge is power. Increase yours by beefing up your financial knowledge. One way is to read blogs or books on financial matters. There are a range of options, from those that target specific audiences like millennials or Generation X to more education-focused options.

STEP 2 CREATE A NET WORTH STATEMENT

If you don't already have a net worth statement, create one. If you have one, review and update it accordingly. The purpose of a net worth statement is to outline what you own and what you owe so you have a clearer understanding of your financial well-being. Compare it year to year to see how your net worth increases or decreases.

STEP 3 TRACK YOUR SPENDING

Before you can set a budget, you must understand your spending habits. There's a wide range of easy-to-use apps and software programs that can help you track and analyze what money goes out and where, what you have coming in, and what you need to do to strike the right balance between the two. Many of the resources integrate with other financial planning tools to give you a more comprehensive approach for setting and adhering to a budget. Banks, credit unions, brokerage firms, and other types of financial institutions often offer their own apps to their customers as well.

STEP 4 REDUCE UNNECESSARY SPENDING

If you started tracking your spending, chances are you've identified areas in which you tend to overspend or spend unnecessarily. Determine what you could or should cut back on. For example, are you getting the most value out of monthly subscriptions for video streaming, cable or other services? Even if you feel financially secure, it never hurts to assess your spending habits. If you're able to cut back in a few places, you may feel less guilty splurging now and then.

STEP 5 INCREASE RETIREMENT SAVINGS CONTRIBUTIONS

If you're years away from retirement, your 401K retirement account may benefit from the effects of compounding interest over the next several years. Consider increasing your contributions a little each year, and you can be farther along the path to retirement readiness. If you're nearing retirement, you may be able to accelerate your savings. The IRS allows 401(k) participants age 50 or older to make additional contributions once they've maximized the standard contribution limit. Talk to a financial advisor or a representative of your financial institution for details.

STEP 6 PAY OFF DEBT

Reduce what you owe, focusing first on loans, credit cards, and other debts with the highest interest rates. You'll save money in the long run and strengthen your current financial position. Avoid running up additional debt, or at least don't take on more than you can handle. Pay off your debt in full when they are due. If you must take out a loan, shop around first for one with the lowest interest rate. The same applies with credit cards. You can also call any current credit card companies and try to negotiate more favorable rates.

STEP 7 SET UP OR BEEF UP AN EMERGENCY FUND

Save for the unexpected. Set aside funds to cover at least six months' worth of bills, preferably six months. Having funds available will reduce stress in case of a hardship such as a job loss, uncovered medical expense or a major home or auto repair. Don't worry if you can't save the full amount right away. Set aside a certain amount for it monthly. If you have an emergency fund in place, it never hurts to add to it. You can always transfer any overage to another savings account or investment.

STEP 8 CHECK YOUR CREDIT REPORT AND SCORE

Periodically review your credit report and score. Even if you always pay your bills on time, you never know when an error could happen and mess up your credit. Identity theft and credit card fraud also can severely damage your credit without your knowledge. If you encounter any errors, contact the credit reporting agency and dispute anything that's wrong.

STEP 9 WORK WITH A FINANCIAL ADVISOR

Financial matters can be complex and time consuming. Even if you consider yourself to possess a great deal of financial acumen, consulting with a financial professional can be beneficial. That's especially true if you have specific needs such as legacy planning or providing for a child with special needs. Reach out to Wealth Management Financial Advisors to discuss your financial situation and your financial plan

WHAT IS A FINANCIAL PLAN?

Financial planning is an ongoing process that looks at your entire financial picture in order to create strategies for achieving both short- and long-term goals.
A financial plan is an excellent tool to help you manage your long and short-term financial goals, and to establish strategies to achieve these goals.

WHAT'S TYPICALLY INCLUDED IN A FINANCIAL PLAN?

Financial plans can include an investment plan, retirement plan, a college savings plan. The components of your financial plan will be determined by your individual situation and your own financial priorities. Factors can include your age, your family situation and others that impact your financial goals.
The financial planning process is a good way to work with a financial advisor like myself to map out your goals and to develop strategies to achieve these goals.

WHO CAN HELP YOU BUILD A FINANCIAL PLAN?

Certainly, you can put together a financial plan on your own, especially if you have a solid working knowledge of financial and investing concepts. There are software tools available that can help with number crunching.

For many people, working with a knowledgeable financial advisor makes sense. Besides their expertise in areas like investing, retirement planning, taxes and other areas, financial advisors bring a detached third-party perspective to your planning. They are emotionally vested in your future in a different way than you are and can therefore add an air of objectivity to the planning process.

An advisor like myself can help you build a financial plan, and it starts with several questions and due diligence which allows us as Financial Advisors to understand your both short and long-goals as well as liabilities. Too often financial plans lack the attention to detail to the liability side of the balance sheet. There is more to financial planning than Asset Allocation or selecting the best stock or bond.

A qualified financial advisor brings their experience in working with clients in similar situations to yours to the table. While good financial advisors will look at each client as a unique individual, they do bring a range of experience to each planning engagement gained from working with a variety of clients.

A financial advisor knows what questions to ask clients regarding their current situation including their income, spending, assets and liabilities. They will gather information about the client's investments, including IRAs and 401(k) accounts. They will also collect data about other assets such as real estate or an interest in a business.

The financial advisor will discuss the client's financial goals with them as well. These might include retirement, saving for college for their children or a range of other goals. The advisor will also ask questions of their clients to gauge their risk tolerance and their investing experience.

The benefits of having a financial plan include allowing the client or family to focus on the longer-term plan, versus worrying about short-term gyrations (for example-inflation or recession) in markets that tend to cause investors to make emotional decisions, like selling when markets are down. Having a financial plan removes the emotional part of the investment process and enables investors to remain disciplined in "their" plan, whatever that may entail.

Financial Wellness Month is a good time to reach out to Wealth Management Financial Advisors to discuss your financial situation and your financial plan. If you don't have a financial plan in place this is a good time to start the process. If you do have a plan, this is a good time to review it and make adjustments as needed.

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