

Financial Resolutions

While it may not be as satisfying as losing ten pounds, organizing your financial planning could be one of your most rewarding New Year's resolutions. The anxiety that most individuals feel about their finances is caused by a lack of attention, focus and communication. To gain control of your finances, you must establish and maintain accurate records, prioritize your financial goals and work with a financial professional to leverage their expertise to help you reach your objectives.

Maintaining good financial records is a habit that will pay dividends for yourself and your family. Ask anyone who has had to piece together the financial affairs of a family member and they could share their frustration, which is similar to putting together a jigsaw puzzle without a picture.

To create an accurate inventory of where you and your assets stand, start by creating separate files for your tax, insurance, investment, home and estate planning. Make sure you and your family know where your most important documents are, such as your social security cards, birth certificates, passports, military service records and titles to property. Keep original documents in a safe deposit box or safe and make copies for your home use.

Your estate planning file should contain wills, trusts, living wills, power of attorney and any business buy sell agreements. Updated beneficiary designations for life insurance, 401(k) plans and IRA's should also be included, along with the names and phone numbers of all your financial professionals. Any additional instructions regarding funeral arrangements, management of assets or business continuity is a great help at a difficult time.

In your tax file keep all current year's records of W2s, 1099s and acknowledgements of gifts and deductions. Keep copies of medical and dental claims and childcare expenses for possible deductions. Copies of federal and state tax returns should be kept as long as possible. A specific file for real estate should contain the most current appraisal, mortgage documents and home improvement records and receipts. A videotape of your home and valuable items, along with receipts and appraisals is of immeasurable value in the event of a claim. Insurance files should be set up for each specific coverage and include contracts, an outline of coverage and annual statements. Create a file for group insurance benefits that you receive through work.

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Annual statements for retirement plan accounts and IRAs should be saved to chart deductions and investment performance. Separate files for brokerage accounts, mutual funds and stock incentive plans allow you to monitor investments, dividend reinvestments, sales and vesting periods for tax accounting.

Once your records are organized you, your spouse or family must discuss and define your financial goals. Common goals may not always be agreed upon, but they should be prioritized. Be as specific as possible and write them down. A college thesis is not required to determine whether early retirement, a vacation home or college education for your children is a priority for you. Financial planning will evaluate the effectiveness of your current decisions only when measured against your personal goals. Written goals help answer the eternal question “are we there yet?”

Once you are organized and focused, the next step is to select financial professionals to evaluate and help with your planning. Too much is changing in the financial world not to utilize expertise of professionals. Find experienced individuals who pursue continuing education and have established practices. Your attorney should develop an individual estate plan to best transfer assets to your designated beneficiaries while protecting your interests. Your accountant should prepare your returns and proactively advise you on all tax planning. Your insurance agent should annually audit your coverage and your investment professional should review your risk tolerance, asset allocation and measure the performance of your account against appropriate benchmarks. Your selected financial professionals should review your planning with you on an annual basis and give you recommendations and options.

Unfortunately there is no guarantee that planning will enable you to realize all your objectives, especially in uncertain times. However, you should feel less anxious and more in control about your future. You should be able to comb through the avalanche of daily financial information to pinpoint what is important to your planning. You should be communicating with professionals who will work in your best interest. You should then have more time and energy to hopefully work on next year’s resolutions.

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