

Get Your Finances in Shape

Jan 27, 2022

Share

Personal-finance content in MFS news articles is provided solely for informational and educational purposes. Readers may choose to consult a licensed professional for personalized guidance.

Is it time for some financial resolutions?

The first few months of the year are an ideal time for some financial fitness resolutions! A new personal-finance survey conducted by OnePoll, a market-research company that queried 2,000 adults in the U.S., reveals that 76 percent have resolved to be smarter with finances in 2022 because they're concerned that inflation could be "a major setback." They're hoping to save an average of \$408 per month in 2022, an \$80 increase over an average \$328 saved monthly during the past year.

According to the survey, 50 percent of respondents want to eliminate their debt, 47 percent hope to remove unnecessary bills, 44 percent plan to use more deals and coupons when shopping, 44 percent would like to use a savings app, and 41 percent intend to apply for a credit-card or credit-line increase. (*Slickdeals, a coupon and deals website, commissioned the survey.*)

Often, these goals are more challenging to reach than people realize. Here are pointers that may help you get your finances in shape:

- **Create a Budget.** Become aware of your after-tax income and the amounts that you spend and save by tracking your spending for 30 days. Determine how much money is needed to cover monthly expenses and how much you could save. Consider an automatic savings plan and try to save at least 10 to 15 percent of pre-tax income annually for retirement. Project the cost of upcoming big-ticket expenses such as a new roof or other repairs and put money aside in an earmarked savings account. Prepare for emergencies by creating an emergency fund with three to six months' worth of living expenses.

- **Manage Your Debt.** Keep the amount of debt you take on manageable and eliminate non-tax-deductible credit card debt. If you own your own residence, consider whether it would be better to consolidate extensive debt into a home equity line of credit (HELOC). Set a disciplined payback schedule.
- **Review Your Investment Plan.** If you have investments, they may need to be rebalanced and diversified. Consult with an investment advisor to ensure your portfolio reflects your tolerance for risk and is a plan you can afford that could weather a down market. Trading conducted in tax-advantaged accounts such as IRAs will avoid generating current taxable income.
- **Consider Whether to Purchase a Residence.** With rents escalating in the New York area, Glenn Rudzewick, chief lending officer at Maspeth Federal Savings, advises renters to consider purchasing a home or apartment. He says that it may cost less per month to own than to pay rent. Also, interest paid on your mortgage is tax-deductible. Your own residence is an asset that usually appreciates over time, he says, and can be an important part of your estate plan.
- **Evaluate Your Insurance Needs.** It's important to protect yourself and your family against unforeseen expenses and catastrophes by being insured adequately with policies for health, life, long-term disability, property-casualty loss, and liability. You may have health, life, and disability insurance through your employer, but should review the coverage to make sure it's adequate and supplement it when necessary. Comparison-shop to get the best rates on property and car insurance. Consider the pros and cons of long-term-care insurance. Keep an updated video inventory of valuable possessions along with professional appraisals in a safe place, such as in a safe deposit box, away from your home.
- **Review Your Estate Plan.** Everyone, not only the wealthy, should tie up loose ends regarding their estate plan. Review your beneficiaries for retirement accounts, annuities, and life

insurance. Bank and investment accounts should have one or more designated beneficiaries as well. Prepare a will or update an existing one. Make sure that assets such as your home are properly titled. See that you and your spouse have designated a durable power of attorney to make healthcare decisions if you are incapacitated. Consult an attorney or financial planner about whether you need a revocable living trust if you own property or have a complicated estate.

With a little planning, you can put your personal finances in shape for 2022 and place yourself and your family on the path to a more secure financial future.