

Promises you can keep

Outlining concrete steps can help you stick to your financial resolutions this year, planners say

By Lynn Asinof, Globe Correspondent | January 17, 2010

Given the economic turmoil of 2009, it's not surprising that finances are trumping weight loss and health issues as the most common resolution for 2010. But when it comes to financial resolutions, one size does not fit all.

So how do you come up with resolutions that make sense for you? The first step, says fee-only financial adviser Rick Miller of Sensible Financial Planning in Cambridge, is to make resolutions you can keep. He recommends starting with a single resolution that's easy to state and easy to measure.

Rather than a broad statement like "I'm going to get my finances in order," Miller suggests something more specific, such as resolving to consolidate your 401(k) plans. Then come up with the concrete steps you need to take to accomplish the goal, he says.

To figure out which resolution should be at the top of your list, consider these five basic areas. Then dig down to identify a particular goal that will have a measurable effect on the management of your finances. Success in accomplishing that goal should then provide the motivation to move on to the next.

SAFETY NET

If you have a family, the top priority should be writing a will and naming guardians for your children, says Dana Levit of Newton-based [Paragon Financial](#) Advisors. But if you already have a will, buying life insurance could be the first item on your list. After that, your new year's resolution might focus on building up an emergency fund capable of covering six months of living expenses.

SAVINGS

If you don't know where your money goes, it's tough to save money. So you might resolve to use computer software like Quicken or online money programs like [Mint.com](#) to track your expenses, says Levit. Another possibility: To make sure that you're saving enough, you might resolve to set up an automatic deposit program to build up funds needed for your emergency fund, long-term purchases such as buying a house, or saving for retirement.

RETIREMENT

Resolutions here might start with some long-range planning based on accumulated assets and future lifestyle to come up with a realistic retirement plan. Want something more concrete? Resolve to fully fund your workplace retirement plan, making sure to take full advantage of any employer match. For folks over 50, a meaningful resolution might be to use "catch-up" provisions to tuck additional funds into their tax-advantaged individual retirement accounts and 401(k)s.

PLANNING

Remember, Newton-based fee-only adviser Michael Broad says, good planning makes it simpler to develop meaningful resolutions. You'll definitely have to tweak your planning to reflect changes in the markets and in your personal life, so once you develop a plan, resolve to revisit it annually.

INVESTMENTS

The recent market crash gave people a hard lesson in risk tolerance. Broad says people should ask what they would have done differently had they known what was coming. Their resolution: To come up with an asset allocation that they can live with the next time the market goes south. ■