

Tips To Keep Finances Straight In New Year

By Paula Ebben, WBZ-TV

BOSTON (CBS) — It's been a tough couple of years when it comes keeping our finances straight.

The start of a new year can be a good time to step back and make sure you are in the best position to achieve your objectives.

When we talked to residents in Newton Center, one woman said she wanted to stop using credit cards this year. A man indicated he was just going to hunker down until the economy improves.

When considering changes for the coming year, Dana Levit, a financial planner with Paragon Financial Advisors in Newton said "It's all about cash flow. What is your income and what are your expenses? And really what people need to be thinking about is the short, the medium, and the long term."

Levit believes the first step when evaluating someone's financial health involves the creation of an emergency fund.

"That's the first thing you need to put in place, because layoffs happen, accidents do happen where people need money to buy the next car, car repairs."

When it comes to establishing an emergency fund, Levit said consumers should not be put off by the low interest rates on savings accounts. The primary objective is to make sure have access to that money when you need it.

Step two is to save ahead. Levit said a good question to ask is, "Are you saving for your medium length goals, like buying the next car? It's almost acting like the

Christmas club that people do, where you are really saving ahead so the money is there.”

Step three is to think about retirement.

“At a minimum, people should be saving 10% a year of their gross income for retirement,” said Levit. “If you are getting a late start on this, you really want to be upping that percentage.”

Step four is to rebalance your portfolio to reflect any changes in the markets. Levit said that if your target allocations are out of line by more than 5% it could be time to move some things around. “That means the stock market has grown, or the stock market has taken away,” she added.

Step five is to prepare important documents. “If you haven’t done a will, a health care proxy, and power of attorney, then this is a great time of year to put it on the calendar,” said Levit.

A recent survey found 75% of people who make New Year’s resolutions make one involving money. The most popular include saving more and spending less.