

DO YOU NEED A Financial Makeover?

Like millions of other people, your financial situation may need some attention, possibly even a makeover. Here are some steps to take to create a new financial you.

Take a “Before” picture

Take a financial snapshot to capture the state of your current finances. Do you know how much you earn and spend each month? Do you have enough cash on hand to pay your bills on time? Are you weighed down by excessive debt? Put all your assets (what you own) and liabilities (what you owe) on a scale. Subtract your liabilities from assets to determine your net worth. How does it balance out?

Set goals

Do you have a vision of your “After” life? Set some realistic and achievable goals. Then, monitor your progress and hold yourself accountable. For example, you might set a goal of paying off all credit card debt in one year, or building an emergency cash reserve of \$15,000 over the next three years.

Pay yourself first

Whether you are saving for retirement, to pay future college bills, or building an emergency reserve fund, put aside the money every month so you’ll have less cash to spend.

Use self-discipline

Review your spending habits, especially for discretionary items. To separate your needs from your wants, ask yourself, item by item, ‘Is this really necessary?’ Could you drive your car a year or two longer? Could you trim your heating bill by 10%? Could you dine out less often? Are you really using your gym or club membership? Seek to make thoughtful choices.

Be an informed consumer

To make smart choices, comparison shop, and avoid buying on impulse. To cut grocery costs, buy certain items in bulk, shop less frequently, clip coupons, look for sales, buy generic items when they are equal in quality to name brands. Could you save money by bundling services such as telephone, television and internet access? Could you cut unused or underused services? For example, if you and your spouse both have cell phones, do you need a landline?

Be green

Being energy efficient can save you money in many ways, whether it’s buying energy-efficient appliances, cutting your heating bill, driving a more fuel-efficient vehicle or car-pooling.

Use your home as a financial asset

Although your home is primarily a shelter, it’s also a financial asset. You build equity as you pay down your principal. You can also use your home equity to pay college tuition, consolidate high interest-rate debt or make home improvements, among other things. Used wisely, a home can be a powerful financial tool. With interest rates very low, consider refinancing your mortgage if you can lower your monthly payments enough to recoup refinancing costs within three years or so.

Rid yourself of debt

If you are endlessly carrying debt, to break free, first acknowledge that you have a problem and commit to deal with it. Buy only what you can afford. Draw up a budget and stick to it. Visualize how good it will feel to be debt-free. Don’t shop just for the sake of it; find other hobbies that are less costly. Get assistance through credit counseling.

