

# Opinion: Tips for personal financial resolutions

By Lou Scatigna

When the big ball dropped at midnight New Year's Eve, the calendar changed, but will you?

After two years of recession and recovery that is moving slower than molasses going uphill in January, I believe 2011 is the time for people to make some solid resolutions to change those old habits.

Most people think that their financial problems revolve around not earning enough money to make ends meet. The truth is, everyone can improve their financial health by using the following five tips, and they don't have to make a dime more than they are making today in order to feel more financially healthy.

Here are some tips:

\* Calculate Your Net Worth – If you want to get healthy, you need a check up. Your net worth tells you how financially healthy you are right now, so you know where you're starting. Here's how you do it: Take a piece of paper and make two columns. On the left side of the paper list the value of all your assets and on the right side the balances of all your loans, using the totals from the end of 2009. Now, subtract your total debts from the total value of your assets and you arrive at your net worth, the exact amount of money you would have if you liquidated all your assets and paid off all your debts. The goal is to grow your net worth each and every year.

\* Prepare a Budget – Take another piece of paper, and make two columns, one for monthly expenses and one for annual expenses. On top of the page list all your sources of income – wages,

interest, dividends, odd jobs, etc. Total up all your income. Now list every expense in your life as accurately as you can. Make sure you keep track of your cash expenditures, like those Starbucks coffees and lunches at work. Spend one month writing down every penny you spend. Now, total up all your expenses, and then subtract your expenses from your income. If you're in the hole, it's time to reduce your spending. If you're ahead, now you have an idea of how much you might be able to put away and save every month. The truth is that most families can cut 5 to 10 percent of their monthly expenses without too much trouble.

\* **Manage the Money Together** – If you're married, it's imperative that you manage the money as a couple. In most families either the husband or the wife handle the monthly bills, but that often leads to miscommunication and overspending. Sit down together and pay the bills and discuss with each other how you can reduce the household expenses. Review bills for accuracy and resolve to pay down the balances as fast as possible. Review each investment account statement for performance and risk. Doing it together ensures fewer crises and more savings.

\* **Learn More About Money** – The majority of Americans have little knowledge about finances, so they make costly mistakes. There are many books and websites that you can read to learn the basics about investing, buying cars and homes, insurance, the different types of mortgages, and credit cards. Knowledge is power, especially when it comes to your money.

\* **Be Financially Responsible** – What do you really need? What do you really want? These days, it's difficult to have both, so we each need to evaluate our lives to determine what we can do without. Do you need to buy lunch at work every day, or does your break room have a kitchen where you could keep a loaf of bread and lunchmeat? Do we need 20 HBO channels, when there's never anything good on, anyway? We now live in frugal times and must adjust our behavior in order to survive and

become financially healthy.

*Louis Scatigna is a certified financial planner, national radio talk show host and author of "The Financial Physician: How To Cure Your Money Problems and Boost Your Financial Health".*