The Dallas Morning News

Publication: The Dallas Morning News
Date: January 2, 2015
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A new year and a fresh start for financial goals

Happy new year. It's time to start afresh with your finances and lay out your financial goals for the new year. The most important thing is to make your goals realistic and achievable. Otherwise, you'll give up early.

For example, the wise move is to pay off the credit cards with the highest interest rates first. But if paying off the card with the lowest balance first gives you an immediate sense of accomplishment, then do it.

"Whatever financial goal you set for yourself in 2015, keep this phrase glued to your memory: Stay simple," said Rick Salmeron, certified financial planner at Salmeron Financial in Dallas.

"Do not go deep with your goals or radically alter any financial behaviors. Even the slightest fraction of a degree of change can make a very noticeable difference over a long period of time."

So here are some things to shoot for in the new year:

Have a plan

"As is the case with accomplishing most goals, getting on the path to financial security is easiest when you plan ahead and make a series of small, sustainable changes," says Donna Skeels Cygan, author of The Joy of Financial Security: The art and science of becoming happier, managing your money wisely, and creating a secure financial future.

Be specific about your goals. For example, don't just say, "I want to save more money." Instead, say, "I want to have $1,000 in my savings account in six months."

Pay yourself first

“Take advantage of every opportunity to sock money away automatically before you are tempted to spend it,” said Tom Murphy, certified financial planner at Murphy & Sylvest in Dallas. “This is why many successful people have a separate savings account used only for emergencies. ‘Out of sight, out of mind’ applies to a lot of things in life and can be used in your favor.”

If you’re fortunate enough to get a raise this month, save a part of it.

“Commit to allocating at least half of that raise to help achieve your goals,” Murphy said. “For example, if you have a 2 percent raise, increase your 401(k) contribution by 1 percent. Do it now before you are tempted to spend the money.”

Similarly, Cygan said, “If you are lucky enough to get a tax refund, send half of it to savings. If you pay off your car loan, send the amount of your former payment to savings each month.”

Don’t forget to build up that all-important emergency fund. Murphy recommends putting aside funds equal to three months of expenses.

“The enemy of financial success is temptation, not lack of investment prowess,” Murphy said.

Break it down

If you take baby steps to save and do it consistently, you’d be amazed how much you can accumulate.

“Increase your contribution [to your retirement plan] by at least 1 [percentage point] per year, 2 ... if you get a bigger raise,” Murphy said. “Before you know it you will be at the maximum, but don’t stop there. Open an investment account and keep it up. Before you know it you will be painlessly saving a significant percentage of your income. The key is to not think about it.”

Make it automatic

“Many people save through their 401(k) or 403(b) at work, and the money is swept into the account before it ever appears in a paycheck,” said Cygan, a certified financial planner. “This works great, and you can do the same thing with saving in a Roth IRA or a taxable account. Set your savings up so it is automatic, occurring on the first of each month or as soon as your paycheck is deposited into your checking account.”

An automatic savings plan forces you to save because the money is withdrawn from your account before you have a chance to spend it.

Cut your expenses

“Find one simple area to reduce your expenses,” Salmeron said. “That doesn’t mean you have to cut your expenses in half or live like a miser to be successful. Realize that no savings is too small. They all add up.”

Before you cut expenses, however, you first have to know how you’re spending your money.

“A lot of our spending tends to happen while we’re asleep at the wheel,” Cygan said. “We sign up for expenses like cellphone plans and Internet services, and then forget about them.

“Is there a more affordable option out there? Are you paying for features you don’t use?”

Pay cash when you can

“Research has shown that we spend roughly 15 percent more when we pay with a credit card as opposed to using cash,” Cygan said. “If you have to reach into your wallet and count out bills in order to pay for a meal or an impulse buy at a retail store, you might just decide that it isn’t worth the money after all.”

Pay down debt

This takes on added importance this year, as the Federal Reserve is expected to begin slowly raising interest rates around midyear.

Although the Fed is expected to take a go-slow approach, any rate increase isn’t good if you’re already carrying a credit card balance.

“Excessive debt creates stress, and getting rid of ‘bad debt’ is an important step toward financial security,” Cygan said. “‘Bad debt’ is debt derived from actions that have no future benefit. For instance, credit card bills carried over from month to month are typically from vacations, eating out, gifts or clothing. The expenses were in the past, and there is no future benefit.

“Contrast that with debt from a home mortgage. Your home provides long-term benefits and enjoyment. Home mortgage debt is ‘good debt.’”

The reward for being more financially disciplined is a sense that you’re on your way to achieving your goals and peace of mind, knowing that you’re controlling your finances instead of your finances controlling you.