



credit&debtsolutions

www.creditanddebtsolutions.ca

New Year's Resolutions!

There's nothing like a "New Year" to commit or make a new promise or resurrect an earlier resolution that might have fallen by the wayside. It's around now that we promise ourselves we'll lose weight, spend more time with family, study more effectively, volunteer, stop smoking, drink less and on and on. The first several days of the New Year, for most of us, sees great gusto. Our devotion to the new "cause" is palpable. We share the notion with almost anyone who'll listen. We seek supporters; there's nothing like a few cheerleaders to help with any task or endeavor. A couple of weeks into the New Year sees enthusiasm wane and by the end of the month, many promises have become millstones we simply abandon, - frustrated, aggravated, and in some cases embarrassed at our failure. So goes the evolution of the New Year's Resolution.

A resolution involving personal finance doesn't have to be like this though. Why? Our financial world is vast, and there are hundreds of starting points. So commence with a plain and uncomplicated promise, - to simply do better.

The key at the beginning is to make sure our task or tasks are bite-sized morsels; and don't require a lot of time or large amounts of cash. Try avoiding huge undertakings or things that can be affected significantly by external forces. For example one resolution might be to reduce the time remaining in your mortgage. The bite-sized morsel will see you trying to pull together enough money over the next twelve months to make a single extra monthly payment to applied directly to the principle. The huge undertaking would have been a promise to reduce the term by five years. Which of the two is more likely achieved? If you've got 20 years left in your mortgage's life, and you can make a single extra payment each year because of this resolution, then you will have reduced the overall term by about two years. If during 2008, you can save a second monthly payment, you've reduced it to just beyond four years, and so on.

Try measuring the success of your resolutions in a way that won't require a lot of time. If you decide to "do better" by reducing your dependence on credit cards; you can measure success quickly each month by determining if your balance is less than it was last month. Remember – success is any improvement whatsoever.

You should always establish a timeline and again, it must be reasonable. Instead of saying "We'll be operating entirely on a cash basis starting right now", why not try saying, "We're going to try operating with cash for 5% of our consumer purchases for the first two months of 2007". You're then free to rack that amount up to 10% in several months; but again, set the timeline. If you achieve the 5% goal - congratulations you've won the race.

Another financial promise that's easily managed is a commitment to be an informed consumer. You could promise yourself that you're going to research value for money, the quality and life expectancy of any good or service which has a price tag of more than \$50.00. Be reasonable, don't promise yourself to research everything. That's not a realistic goal; you simply won't have the time.

As you assess where to start, it's best to look at the biggest consumers of your net income. In other words; where do you spend the biggest chunk of your take home pay? For most of us, the list in descending order will be: shelter, transportation, food, etc. Look for ways to "do better" inside your house first. Consider energy efficiency, communication costs, security items such as property insurance, life and mortgage insurance and the actual security of your property. This is also an ideal time to carry out an inventory and to determine the value of all the things you've got around. Don't forget to include collections, jewelry, art, antiques and books.

When it comes to transportation don't just look at vehicle loan payments, insurance and gasoline. Consider maintenance, depreciation, parking, cleaning and the inevitable ticket or two. Remember as well public transportation costs you incur. Consider the route you take to and from your various destinations and ask yourself if and how you might do better. Don't forget to factor the age-old enemy, "finding time" into any savings you may plan.

In the food department, look at your dependence on convenience food and the frequency with which you shop. Consider the effect of advertising on your children's likes and dislikes and make sure that any savings you plan won't be a financial gain but a nutritional loss.

Remember as well, that you're accountable, from a success perspective, to only one person, - yourself and consequently to the people in your household. So don't share your financial resolutions with anyone outside your immediate family.

Motivation, or should I say remaining motivated is a huge challenge. The best way to remain motivated to anything financial is to reward yourself for a job well done. Only you can say what form a reward should take. Make sure it's more than just knowing for yourself that you've "done better". So treat yourself. This might be to something as simple as a CD or book you might otherwise have passed up. Or it could be dinner out for the family at a restaurant you might otherwise not be able to reach upon. And if you tell yourself - "This is my reward - I've done good", chances are you will continue with your new habits.

You'll usually find out all the little things add up. A slight savings here, added to the slight savings there along with goals you achieved a few months ago, will show you an "improved" bottom-line, and at the end of the day that's where financial success is really measured.

In two weeks, we'll be talking about clothing and effectively managing that resource.

Happy New Year!

Al Antle is the Executive Director of
Credit and Debt Solutions.