

December 16, 2020

2020 Year End Financial Resolutions



It's that time of year to reflect on everything that has happened over the course of this last year. 2020 was unprecedented, to say the least. Many people were forced to deal with financial upheaval and tragedy in ways they never imagined. However, maybe you and your family were fortunate enough to still be able to accomplish some of the goals and resolutions you set for yourselves. As this year comes to close, we are all afforded another opportunity to make financial resolutions that can help improve your financial situation today and in the new year. Below is a list of financial resolutions to consider.

Understand your cashflow and pay yourself first

At a minimum, there are three important things to consider with respect to cashflow: after-tax income, expenses, and savings. This past year highlighted the importance of having cash savings or an emergency fund. Life is full of surprises and it is paramount to have cash on hand to help weather any storm. Commit to saving (paying yourself first) so that you can withstand sudden shocks like we all experienced this year. Treat your savings as the first expense you must pay every month and you can comfortably spend what is left over. If your cash savings/emergency fund was depleted this year, make a commitment to building it back up.

For better or worse, 2020 likely changed your financial situation. As we look forward to 2021, take the time to review the goals and objectives you have set out for yourself and your family. Are you still on track to meet them? Do they need to be changed or altered as a result of something that happened during this past year? Are you still saving enough for retirement or for your kid's education through a 529 plan? Take this time to ensure the goals you have set are still realistic for your circumstances.

Review your goals and objectives

Review retirement account contributions

If you are fortunate enough to save for retirement through a plan sponsored by your employer, the new year represents a great opportunity for you to review your contribution percentage to this account, your employer match (if one exists) and your asset allocation. If you got a raise, maybe it makes sense to increase how much you contribute to this account. If you are self-employed, you may be able to contribute to SEP-IRA's, solo 401k's or profit-sharing plans. Outside of work, you may be able to make additional contributions to an IRA. Refresh your memory on the maximum you can contribute to each account and contribute up to those limits if possible.

Review your estate plan

Estate planning is not just for the ultra-wealthy. If you do not have an estate plan, make it a goal for 2021. There are simple steps and documents that everyone should examine to ensure their estate planning is in order. Review, and update if necessary, your will, health care directive, health care power of attorney and financial power of attorney. Make sure your beneficiary designations on retirement accounts, life insurance policies, and annuities are accurate. Consider whether a trust would be of benefit to your estate plan.

If 2020 has taught us anything, it is that risk is present throughout our lives in ways we cannot even imagine. Insurance is a vital tool to assist in mitigating the financial impact an adverse event could cause on you and your family. Review your health insurance, life insurance, long-term disability insurance, property-casualty insurance and your homeowner's insurance policies to ensure they match your needs. Make sure you understand what is covered and what is not. You may also want to consider long-term care insurance and a personal liability umbrella policy.

Review your insurance coverage

Review your credit report

As our world moves further into the digital age, our personal information is at an ever-increasing risk of being stolen. Through April of 2021, you are entitled to three free credit reports every week on AnnualCreditReport.com, one from each of the three major credit reporting agencies: Equifax, Experian, and TransUnion. Check to ensure your credit report is accurate as errors on these reports are not uncommon and will adversely affect your score. Good credit can help save you thousands in the form of lower interest rates and better approval odds for credit cards and other loans.

Sources: Schwab, Investopedia, USA.gov