

Ten Smart Financial Moves for 2011

By Michelle Goldstein

Annually, we greet January with a host of resolutions. Let the New Year be a year where you invest in good financial habits. Here are 10 ways to ring in 2011 with a mind for smart financial moves:

- Brace yourself for higher gas prices. Some economists believe that gas prices will be higher this year, so be ahead of the curve by making your car more efficient. Make sure your tires are well inflated and carry as little weight as possible in your trunk. That means emptying all those books you have been meaning to sell back to Half Price Books.

- Restock your emergency fund. Property taxes and holiday spending have taken a huge bite out of all of our savings accounts. Make it a priority to start building back your emergency fund. I recommend you set aside three to six months of expenses in case you lose your job or have an emergency.

- Take your finances to the doctor. You go to the dentist annually for a checkup, why not set aside some time for a financial check up too? Visit with a fee-only financial planner or, if you prefer the



technology route, go online to personalfinancialindex.com which will give you a financial health score, similar to a credit score, as well as a prescription for moving forward.

- Make sure you are neither over nor under insured. Review your life insurance coverage with an unbiased third party (your accountant or a financial planner who does not sell insurance products) to make sure your coverage makes sense for you and your family. Remember, life insurance is not just for wage earners. A non-working spouse needs coverage as well, because the time he/she spends caring for other family members would have to be replaced by an employee in his/her absence.

- Save for retirement through your work. The max you can save in your 401(k) or 403(b) for 2011 is \$16,500 (\$22,000 for individuals age 50 and over). If you are self employed or work at home, the max Roth or regular

IRA contribution per year is \$5,000 (\$6,000 if you are over age 50).

- Reduce your grocery bill. Take advantage of our neighborhood Kroger and Tom Thumb loyalty programs. I typically save 5 percent -10 percent on my grocery bill when I use my loyalty card. When shopping, save more by purchasing necessities like paper towels and tissues at discount stores and save your splurges for specialty items, produce and meats.

- Save on fashion. If you only attend one formal event per year, there is no need to spend a lot on dressy attire. Check out RentTheRunway.com to rent an evening dress or gown for your event. The great part is they send you two sizes so that you get the best fit possible.

- Start saving for private primary/secondary school and college. You can never start too early or save too much. A great first step is to open a Coverdell Education Savings Account (Coverdell ESA).

You can donate up to \$2,000 annually per child, and the money can be invested in individual stocks, bonds, real estate, or mutual fund.

- Have a plan for future bonuses and gifts. Does that extra cash need to go toward paying off debt or building your emergency fund? If you don't make a plan ahead of time, you will be tempted to spend that extra cash on a new Wii or a night on the town. Try not to rely on future bonuses for essentials, as this additional income may or may not materialize.

- Take advantage of flexible spending accounts at work. These accounts save you money by letting you pay for healthcare and daycare expenses with pre-tax dollars. The more careful you are when you estimate your daycare and healthcare expenses, the more advantageous these accounts can be.

Just incorporating one of these smart moves will put you on the road to a financially secure 2011. May it be a healthy one as well.

Michelle Goldstein, principal of Goldstein Financial Future, is a fee-only planner in the White Rock Lake area. She can be reached at goldsteinfuture@aol.com or 214-695-9251.