

Top Financial Resolutions You Must Make This Year

If you want to improve your financial situation this year, put these smart resolutions on your to-do list.

by NEA Member Benefits

Every January, we close the books on another year, we look ahead and set goals for ourselves. We want to get a fresh start by changing the bad habits that we fell prey to in the past 12 months.

One resolution we should make is to polish up our finances in the new year. It'll take some work, but by avoiding the mistakes of the past and putting ourselves on the path to financial security, we can reap endless rewards.

Here are 14 smart financial resolutions you can make this year:

“I will build up my emergency fund.” Experts recommend you set aside at least three to eight months' worth of living expenses. The easiest, most pain-free way to do this is to set up an automatic transfer from your paycheck into a savings account. Begin with a small amount per pay period, then increase it as you can. You never know what the future may hold, and a reserve fund will help you get by if you lose your job, experience a major illness or incur other unexpected expenses.

“I will check my credit report.” You can get a free report from [AnnualCreditReport.com](https://www.annualcreditreport.com). Take a few minutes to review your credit report: Make sure your accounts are listed correctly and that there aren't any errors that need to be fixed. Errors could indicate that you're a victim of ID theft, so you'll need to start working to correct those ASAP. Before applying for big loans, check your credit score. If it's low, spend a few months taking positive steps to improve it. You could [save yourself thousands](#) in interest.

“I will get the lowest credit card rate possible.” Call customer service and ask to have your interest rate lowered. That request often is honored for customers in good standing. To avoid interest charges, don't spend more than you can afford to pay off each month. If you already have a lot of debt, consider consolidating your high interest-rate cards. If you have a rewards card with a high annual fee, switch to a no-fee card.

“I will pay off my debt.” Excess debt can affect many areas of your life, from your credit report and your borrowing power to your physical and mental health. If you owe a lot of money on loans, credit cards, etc., create an action plan that will help you assess, manage and pay off your debt. For suggestions on how to do that, read our article, [“Get Out of Debt and Into Financial Freedom.”](#)

“I will calculate refinancing costs to get a better mortgage rate.” Interest rates are still relatively low but have risen some in recent months. It may make sense to act now to refinance your home, saving you money every month. First, determine whether the costs are worth it. Refinancing to a new 30-year loan with a lower interest rate could result in an increase in your monthly cash flow—but you'll be making mortgage payments for a few more years. Also, calculate how long it'll take you to break even on your refinancing costs.

“I will fully insure my home, car and life.” As life changes, so do your insurance needs. Spend some time reviewing your coverage. Does your homeowners policy still cover all of your personal possessions?

Have your life insurance needs changed in the past year? Are your beneficiaries up to date? Review your coverage annually: You may save money by reducing some unnecessary coverage, or you may find areas where an increase is needed.

“I will make regular contributions to my retirement accounts.” Consistently contribute to your 403(b), regardless of what the economy is doing. Those are pre-tax dollars that accumulate on a tax-deferred basis. Make sure you diversify your investments, and rebalance at least once a year. For assistance in choosing investments, contact the adviser assigned to your account, or speak to a licensed financial adviser. You also can contact the [NEA Retirement Program](#) to discuss supplementing your retirement fund.

“I will resist the urge to borrow from my future self.” No matter how big of an expense you’re facing, resist the temptation to pull money out of your retirement account. That money went in tax-free, but you’ll have to pay interest as you repay the loan. Switching employers before the loan is paid off can incur penalties. And the reduction of funds in your account means less money is compounding, so you’ll end up with less at retirement. If you need cash fast, look into a home equity loan or a [personal loan](#).

“I won’t give Uncle Sam an interest-free loan.” Many people love to get a big tax refund check each spring, but that’s money you could have earned interest on all year long. Examine how much money is taken out of your paycheck in the form of deductions and pre-tax payments (403(b), flexible spending). If it’s too much, increase your deductions, then reroute your extra funds into your savings account, 403(b) or other investment vehicle.

“I will get credit for helping others.” It feels good to get rid of excess belongings by donating what you no longer use. Take the time to track what you give to charity so you can claim the value on your taxes. The same goes for donating cash.

“I will get reimbursed for all the classroom supplies I buy.” Keep track of work-related expenses, which can be deducted up to \$250. Let parents know what you need, and ask for help.

“I will buy only what I need.” Nobody likes the b-word, but try not to think of it as creating a “budget.” Instead, evaluate what you consider to be your absolute must-haves, then don’t buy anything that isn’t on the list. Or, if that’s too drastic, keep track of everything you *do* buy so you can get a handle on your expenses and cut back where you tend to overspend. When you invest in personal financial software such as Quicken, or use an online site such as [Mint.com](#)—where every purchase you make is documented in black and white—making future spending decisions and setting financial goals will become much easier.

“I will hunt down discounts to avoid paying full price.” If there’s something you need to purchase, try to wait until it’s on sale and you have a coupon. Sign up for emails, texts and postcards through your favorite retailers to get coupons and sale notifications. When shopping online, do a search for the retailer’s name and “coupon code” before you buy to reduce your costs. Shop through [NEA Discount Marketplace](#) for extra discounts and rewards online.

“I will pay my bills on time.” Getting smacked with a \$25 late fee on a \$30 department-store bill really cuts into the great deal you snagged on that new pair of pants. In addition, late payments on some bills, including store credit cards, will be reflected on your credit report and drag down your credit score. Sign

up for as many automatic billing programs as possible. Or, if you like to pay the old-fashioned way, set up a reminder in your smartphone's calendar so you'll mail your checks on time.

Learn more about financial topics for educators and find helpful tips about budgeting, credit, managing debt and more at neamb.com/personal-finance.