by Andrew Schwartz,CPA (Contact Author | Biography)

Did you make any resolutions concerning your personal finances last January? If so, how did you do? Did you attain your financial goals, or was this year a total financial washout for you? While December 31 is a day to reflect on the year gone by, January 1 is a time to look forward to the New Year, use this opportunity to review your financial scorecard for the past year and make any possible improvements where necessary for the New Year.

The good news about New Year's resolutions is that you get to make new ones each year. It's even better if you can keep the good ones from the past year. In this article, we provide some New Year's resolutions to help you improve your finances.

Reset Your Retirement Savings

At work, you probably have the opportunity to save for your retirement through a 401(k), 403(b) or 457 plan sponsored by your employer. If so, consider that most people find it easier to max out their retirement contributions by budgeting to contribute a set amount each month. (To learn more about 401(k) and 403(b) plans, see *A Great Time To Add Roths To Your Retirement Planning*, *Tax-Law Changes: Involuntary Cash-Out And Roth 401(k) And 403(b)* and *A Closer Look At The Roth 401(k)*.)

Employer Plans

If you have access to a 401(k), 403(b) or 457 plan at work, consider instructing your employer to withhold $1,375 per month through salary deferrals to ensure that you reach the maximum limit of $16,500 in 2009. If you'll be 50 or older by December 31, bump that amount to $1,833.33 per month to account for the additional $5,500 in "catch-up contributions" you're allowed to make. If you get paid on some other frequency, such as weekly or bi-weekly, simply divide the contribution limit by the number of your pay periods for the year. Of course, you should save only amounts that you can realistically afford, as contributing more than you can afford may result in having to incur debts to cover everyday expenses. To determine how much you can save each period, incorporate your retirement savings into your regular budget. (To read more about catch-up contributions, see *Pension Protection Act Of 2006 Becomes Law* and *Retirement Savings Tips For 45- To 54-Year-Olds*.)

Are you self-employed? If so, depending on your income, you can contribute up to $49,000 to an SEP IRA, profit-sharing plan or solo 401(k)/individual 401(k) plan, which equals around $4,083.33 per month. And if you'll be 50 or older by December 31, the limit jumps to $54,500 for Solo 401(k)s, or about $4,541.66 per month. (To learn more, see *401(k) Plans For The Small-Business Owner*.)

Don't Forget About IRAs

Even if you're covered under a retirement plan at work, you and your spouse can each contribute up to $5,000, or $416.66 per month, into a Traditional IRA or Roth IRA, as long as your combined taxable wages and net self-employment income is not less than the total amount contributed. Anyone 50 or older can contribute an extra $1,000 in 2009, increasing the total allowable contribution to $6,000, or $500 per month. Keep in mind, however, that if you're single and your adjusted gross income (AGI) exceeds $120,000 or married and your adjusted gross income (AGI) exceeds $176,000, you're not eligible to contribute to a Roth IRA in 2009.

Update Your Savings and Debt Reduction Goals
Did you know that if you deposit $815 into your savings account each month, the account will be worth approximately $10,000 at the end of the year, plus interest? Bear in mind that easy access to funds can be quite tempting, and if you are like most people, you will spend money to which you have easy access. Therefore, to help you reach your goal, be sure to transfer amounts earmarked for savings from your checking account to a designated separate savings or investment account that is not easily accessed, making it less tempting for you to spend the money that you have managed to save.

Take a few minutes now to set new savings goals for 2009, including how much you would like to add to your retirement nest egg, your children's education fund or the down payment on your home. You should also reset how much you plan to pay on your personal loans, debts and home mortgage accounts. (To learn more about paying down debts, see *Digging Out Of Personal Debt*, *The Indiana Jones Guide to Getting Ahead* and *Credit, Debit And Charge: Sizing Up The Cards In Your Wallet*.)

And don't forget about paying some extra principal toward your mortgage payment each month. By doing so, you'll earn a risk-free return on that money equal to your mortgage interest rate. Plus, you'll cut down on the number of years it will take to pay off your mortgage. However, if you must choose between adding to your retirement nest egg and paying extra on your mortgage, talk to your financial advisor to determine which option is more suitable for you. (For more information on mortgages, see *Mortgages: How Much Can You Afford?*and *Mortgages: Fixed-Rate Versus Adjustable-Rate*.)

Other Resolutions
Rebalance Your Investment Portfolio
The previous year was no different than any other year; with some sectors performing better than others. Chances are that the sectors that performed the best last year may not enjoy a repeat performance this year. By rebalancing your portfolio to its original or updated asset allocation, you take steps to lock in gains from the sectors with the best returns, and purchase shares in the sectors that have lagged behind last year's leaders. (Find out how to rebalance your investment portfolio in *Rebalance Your Portfolio To Stay On Track* and *A Guide To Portfolio Construction*.)

Pay Down Your Credit Cards.
If you owe money on your credit cards, determine how much you can realistically afford to pay off during the year. For best results, try not to charge additional purchases on those cards while you're trying to pay down what you owe. If you have high interest credit card balances, consider

whether it would be more beneficial to pay off those high interest debts or to add to your savings. (To continue reading about credit and saving for the future, see *Competing Priorities: Too Many Choices, Too Few Dollars*, *Retirement Savings Tips For 25- To 34-Year-Olds* and *The Beauty Of Budgeting*.)

Review Your Credit Report
Review your credit report, and take steps to repair any negative aspects. Now that you're entitled to three free credit reports each year, there is no excuse for not reviewing what is one of your most important financial reports, especially since errors in these reports are not uncommon. In the U.S., you can order your free credit report at AnnualCreditReport.com. A poor credit report could adversely affect the amount you are able to save, as it could result in you paying higher interest rates on loans, which reduces your disposable income.

Review Your Life Insurance and Disability Insurance Needs
As you move through your career, your life and disability insurance need to continue to change. Give some thought as to how much protection you need and compare it to the coverage you currently have through your employer's benefit package. Consider whether you need more or less life insurance, and whether your needs would be better satisfied by term or permanent life insurance. Also, review your disability insurance coverage to determine whether you have enough coverage. (To find out more about insurance plans, see *How Much Life Insurance Should You Carry?*, *Buying Life Insurance: Term Versus Permanent* and *Life Insurance Distribution And Benefits*.)

Avoid Resolution Pollution
Be cautious about setting too many or unrealistic financial goals. Otherwise, you may be unable to accomplish any of them. Take this opportunity to restate your financial resolutions simply and clearly for the new year and rest easy knowing that this is one resolution you can keep. It may be a good idea to maintain a checklist to keep track of how you are doing throughout the year, so that you can make any necessary modifications. Consider meeting with your financial advisor to review the goals and objectives that you have established.

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Andrew D. Schwartz, CPA, has developed the knack for writing easy-to-understand articles about tax and financial planning issues. Since graduating cum laude from the Wharton School of the University of Pennsylvania in 1987, Andrew has been working in public accounting. In 1990, he formed the CPA firm Schwartz & Schwartz, P.C., which specializes in the tax and financial planning issues applicable to young professionals. In addition to meeting with hundreds of clients each year, Andrew's responsibilities include writing all of his firm's tax and financial planning newsletters and maintaining his firm's nationally recognized website, www.mdtaxes.com. Andrew is also one of the writers for Mostad & Christensen, a marketing company that publishes newsletters and articles for CPA firms.