

Financial Fitness: An Easy 12-Month Guide for the New Year

By Jean Ann Dorrell



It's a brand new year! This is a time we all start talking about our goals for the year ahead. We want to lose weight, get organized, quit smoking and the list goes on. Let me give you some quick numbers:

- 45: Percentage of Americans who make New Year's resolutions
- 10: Percentage of Americans who fully commit and keep their resolutions
- 1 in 3: Number of people who ditch their resolutions by the end of January

One resolution we should all make **and keep** this year is to get our finances into shape. There are many things we need to do in order to achieve financial fitness, so this goal may seem a bit daunting at first. With a long "to-do" list, vague resolutions and good intentions won't do it. We have to have a plan. That is why I have divided up this long "to-do" list and created a 12-month guideline that is easy, manageable and achievable. It is easy to get overwhelmed by all there is to do, but by taking each financial target one month at a time, you are well on your way to becoming financially fit.

In the long run, this plan will not only help you get your financials into shape, but it will transfer over into other aspects of your life. Without the stress and burden of worrying about money, you will be happier and mentally healthier, with the confidence of knowing that you are prepared for anything that may lie ahead.

Get *Financially Fit*

January: Start Small

The first step can be the hardest so start small. One easy way to get the ball rolling is to pick one or two items or expenses where you can cut back to save some cash. This is much easier to do than you think and the savings add up fast. One example is to plan ahead. Bring your lunch to work instead of buying it. Even \$7 to \$10 for lunch every day is \$35 to \$50 per week and up to \$200 per month! Consider skipping the daily coffee run. You can also plan ahead by keeping a few snacks in your car or desk. That way, when you get hungry, you can have one of those instead of spending money at a fast food restaurant or convenient store. Or, invite friends over for dinner instead of going out.

Check and see if there are any old magazine subscriptions you are still receiving. Call and cancel the ones you can do without. A lot of magazines are electronic these days, so cancel any that you can simply view online for a lesser price.

Another example is to go through your house and see if there is anything you can get rid of (clothes, shoes, bags, old cameras, computers or electronics). You can easily make a few extra bucks just by selling some of your things on EBay. It is free to create an account and you have nothing to lose. You would be surprised at how much you can make on a slightly used golf bag or an old purse you don't use anymore. Or, you can always get together with a few neighbors and have a garage sale.

February: Create a Budget

Every family should have a budget to make sure they stay on track. It is easy to forget about certain monthly expenses when we are not keeping a record. Page 11 of this e-book has an interactive worksheet for you to use to make a monthly budget. You can also [click here](#) to access the worksheet online. Include all of your income and expenses - fixed and variable. Be sure to have a "Miscellaneous" or "Other" categories and record any expenses that you may have forgotten about. Keep track of all expenses and make notes that you can carry over into the next month. There may be a new category you can create after looking at what you spend each month. You may want to create hunting, golf or other hobby as a category and allot a specific amount for each month.

Be sure to plan ahead for things like spending more for birthdays, Christmas and other special occasions. Set a budget for these. If you know of a trip you are taking soon, include those expenses in your budget. Or, if you know when kids or grandkids are coming to visit, set aside some extra cash for their visit.

Communication and cooperation are big components of keeping a monthly budget. Everybody living in the house needs to be aware of what is being brought in and spent each month; as well as agree to stick to the budget. If something unexpected comes up, talk about it and decide what the best plan of action is.

March: Avoid Money Mistakes - Don't Miss Your RMD Deadline!

This is the time to start good habits and set the tone for the rest of the year. For example, if you own a traditional IRA, SEP-IRA or SIMPLE IRA and you are 70½ or older; or, if you happen to own an inherited traditional IRA, be sure to take your required minimum distribution (RMD). By law once you reach age 70½, you are required to begin taking a minimum amount out of your traditional IRA every year. In most cases, the deadline for taking your annual RMD is December 31st.

*The exception to this deadline is if this year you are taking your very first RMD. To be exact (and in this case it really matters) the deadline for this first withdrawal is April 1st of the year after you reach 70½. For instance, let's say you turned 70 in May; that means you were 70½ in November. Thus, you have until April 1st of the following year to take your RMD. This is only allowed in your first distribution year.



After your first withdrawal, each subsequent one must be completed no later than December 31st of that year. If you qualify to delay taking your initial RMD until April, you will have to take two withdrawals next year - the one for the previous year and the one for the current year.

Now let's say you have never contributed a dime to the IRA. Instead, it belonged to your mom who left it to you when she died. Technically, it isn't even yours. In fact, your mom is still listed as the owner and you are named the beneficiary. Nonetheless, the same rule about taking a Required Minimum Distribution by December 31st each year still applies. No matter how old you are (3? 23? 53? 83?), the beneficiary of an inherited IRA must begin withdrawing a certain amount no later than December 31st of the year after the IRA owner died. So, if mom died last year, your first RMD must be taken by December 31st of this year. Page 13 of this e-book has a printable worksheet you can use to figure out this year's RMD.

April: Save, Save, Save

April is a great month to work on your savings. Start by putting away as much of your tax return as possible. The goal is to put at least 10% of your earnings into savings - both short and long-term savings. Another good rule of thumb is to keep at least three to six months of your monthly income in savings to help prepare for the unexpected, such as somebody in the house grows ill, a family member dies, a major appliance breaks and you have to replace it right away, etc.

These days, you can set up automatic transfers from your checking to your savings account, so you don't even have to think about doing it; and, you never see the money. You can set the transfer to occur weekly, bi-weekly, monthly or however you prefer.

A friend of mine and her husband have a “never spend a dollar bill” rule. When they pay for something with cash, they keep all of the one-dollar bills they receive in change and save it for something they decide on later. For example, if you go to the gas station and pay for a \$2.00 coke with a ten-dollar bill, you get \$8.00 back in change: most likely a five-dollar bill and three one-dollar bills. Save the three one-dollar bills and put it toward something special, such as spending money for a vacation or a new couch. This is something fun to do with your significant other and you get to reward yourself with the money you have saved up.

Find ways to get creative and make saving money enjoyable. Everybody is different so find the method that works best for you.

May: Financial Spring Cleaning

Sit down with your significant other and take a good look at your assets - is there money in an old account that should be moved? Do you have money in a low-interest savings account that could be put to better use? Be sure to take inflation into account when looking at these low-interest accounts. Nominal returns do not always mean you are making money once you figure for inflation.

Have you left a job in the past year and left your 401k behind? You can roll that over to a tax-free and maintain control. Leaving it at the old company leaves your money at risk if the company goes belly-up or decides to hold your accounts later. Rolling it over to an IRA also gives you control over the investment choices and allocations.

When was the last time you met with a financial advisor? You may want to sit down with a licensed professional you can trust to see how you can maximize your assets. This is your hard-earned money so make sure you are getting the most “bang for your buck.” Be open to change. Don’t be afraid to play with the numbers and explore your options.

Make sure you have a well-thought out financial plan and you are maximizing savings for retirement. Be sure you are still on track with your original plan and on your way to reaching your goals.



June: Beneficiary Checks

When was the last time you checked your beneficiary designation for your retirement account? You may find that your designated beneficiary is not who or what you think it should be, especially if you have divorced, remarried or had children since your retirement plan account was established. If a long time ago you named a charity as your beneficiary, the charity may no longer exist. While many of us ensure that other important documents such as wills are updated on a frequent basis, we tend to neglect our retirement-account beneficiary designations. Your retirement accounts are not part of your estate and generally not governed by the provisions of your will, so it is important to keep these retirement documents updated.

If you fail to document your beneficiary designation, your beneficiary may be determined by federal law, state law or by the plan document that governs your retirement accounts. Retirement account owners usually have default options in place to alleviate administrative responsibilities, but they may not reflect the retirement owner's preference. This is why you should check the plan document and ensure that you update your beneficiary designations frequently.

Be sure to make provisions for simultaneous death. Many spouses, expecting that one will predecease the other, name each other as their designated beneficiaries. The issue of simultaneous death is then addressed by state law, which will determine that one spouse died first, even though both deaths occurred at the same time. This determination is critical, especially if there are children from a previous marriage: will all the children be included? Or will children from a previous marriage be excluded? Proper documentation designating successor beneficiaries for normal and extenuating circumstances will ensure that you decide who the successor beneficiary is.

Finally, consider a customized beneficiary designation. Most IRA plan documents provide default beneficiary options. For instance, if you name two individuals as your designated beneficiaries and one predeceases you, the share that belongs to the deceased beneficiary automatically goes to the surviving beneficiary - unless you update your beneficiary designation or prepare a customized beneficiary designation. You want to ensure that any customized document specifies what you prefer in the event that your beneficiary predeceases you. For example, you could stipulate that his or her share go to their children.

Two basic beneficiary designation types include:

- 1) **Per-Stirpes Designation:** In the event your primary beneficiary predeceases you, a per-stirpes beneficiary designation provides that the share they would have received goes to their heirs.
- 2) **Per-Capita Designation:** Per-capita beneficiary designations also provide that your primary beneficiary's share will go to their heirs; however, the allocations are not handled in the same manner as they are under the per-stirpes designation. Should your primary beneficiary predecease you, his or her share would be divided equally among your successor heirs.

Making a proper beneficiary designation is a very important part of your financial planning. Be sure to seek professional advice regarding your beneficiary designations.

July: Check Your Credit Reports

Studies show that one in five people have errors on their credit reports. I advise my clients to check their credit reports once a year. [Click here](#) to get your free report now.

Also, many people want to take a look at your credit report so you want to be sure it's up-to-date and correct. If you find an error it is your responsibility to fix it. A simple error can be very costly for you. Case in point, insurance companies, life, auto and house, are now looking at your credit report and credit scores. Be sure to dispute any errors so you are not paying too much for insurance.

To insure that the mistake gets corrected as quickly as possible, contact both the credit bureau and organization that provided the information to the bureau. Both of these parties are responsible for correcting inaccurate or incomplete information in your report under the Fair Credit Reporting Act.

First, tell the credit bureau what information you believe is inaccurate. The credit bureau must investigate the item(s) in question, usually within 30 days, unless they consider your dispute frivolous. Include copies (NOT originals) of documents that support your position. In addition to providing your complete name and address, your letter should:

- Clearly identify each item in your report you dispute.
- State the facts and explain why you dispute the information.
- Request deletion or correction.



You may want to enclose a copy of your report with the items in question circled. Send a letter by certified mail, return receipt requested, so you can document that the credit bureau received your correspondence. Keep copies of your dispute letter and enclosures.

Second, write to the appropriate creditor or other information provider, explaining that you are disputing the information provided to the bureau. Again, include copies of documents that support your position. Many providers specify an address for disputes. If the provider again reports the same information to a bureau, it must include a notice of your dispute. Request that the provider copy you on correspondence they send to the bureau. Expect this process to take between 30 and 90 days.

In addition, reviewing your credit report is your first line of defense against identity theft. Are there any unauthorized cards or loans on your history? Different address than your home address? These may be an indication that someone else is using your social security number.

August: Is Your Bank Hurting Your Budget?

With so much competition among banks, now is a great time to take some time to shop around for a bank that better fits your needs. It's all about personal preference and knowing your banking behavior in order to find the right bank.

The first question to ask yourself is what you want to do with your bank account. Do you want to put money in there periodically and watch it grow? Will you move money in and out quickly?

Next, get an idea of how you prefer to do your banking. If your schedule doesn't work with most bank schedules, the best bank might just be the one that's open at more convenient times. If you're a web-savvy customer, look for the banks that make it easy to do your dealings quickly and efficiently online. Also, consider what fees you're paying and the accessibility to ATMs.

Free checking accounts get a lot of hype. They get people in the door. However, free may not always be the best thing for you. If you value certain services or conveniences, you may be willing to pay for them. Once you get a hold of fee schedules from competing banks, consider if it's really going to bother you to pay a few bucks each month for that "got to have it" feature or service. Maybe it is, maybe it isn't.

Finally, remember to ask other people for opinions. Ask your friends where they bank, and how happy they are. Some of the blogs out there have extensive information on customer experiences in banks. When searching online, keep in mind that negative experiences will be more common than positive ones. People upset at the bank are more motivated to spread the word; happy customers often don't even realize that they're happy.

There are tons of tools online that will help you compare different banks. [Click here](#) to get started.

September: Get Organized

Keeping all of your financial paperwork in one place can help you stay on track with your financial goals. Set your account details in organized files, either on digital storage devices or physical copies. You should have a file for each of the following accounts that apply:

- Savings
- Retirement
- Checking
- Credit Cards
- Investments
- Mortgage
- Personal Loans
- Insurance
- Tax Details
- Credit Reports

In addition, remember to keep important documents like birth and marriage certificates and social security cards in their own separate file. If you own a safe, this is a good place to keep these paper documents. If not, find a safe place in your home that only you, your spouse and one other person know about. Whether it be one of your children, a close friend or someone else you trust, select a responsible individual to share where these documents are in the event something happens to you or your spouse.

You should also get a shredder, if you don't already own one, to remove any financial documents that you don't need. By shredding unnecessary documents, you will not only avoid identity theft by trashing extra documents that may contain personal information or information on your accounts, but you will also avoid cluttering your home with stacks of useless paper.

October: Create a Holiday Shopping Budget



The next couple of months can be stressful with the holidays approaching. Decide what your total budget will be ahead of time and stick to it. Setting a budget will help you avoid using credit cards for your gifts, which often carry high interest rates. I recommend starting your shopping early so you can spread out your holiday purchases across three months (October, November and December) instead of just one.

Make a list of everybody on your list and decide what your budget will be for each person, as well as other expenses such as decorations, holiday foods, etc. These can get expensive quickly if you are not sticking to a budget. If you are planning to have people over and know that you will need to buy more groceries and alcohol than usual, be sure you make room in the budget for that.

Track your spending throughout the season. Keep a running total of your purchases and what you actually spend compared to your budget. Don't panic if you overspend in one of the categories; just scale your spending back in another category to make up for it. Page 14 of this e-book has a printable copy of my Holiday Shopping Budget Worksheet.

A Few Tips:

- Fill out the worksheet in pencil, to make updates easy.
- Don't be afraid to change your budget; a good budget is always evolving.
- Hang on to a copy of your budget after the holidays are over; it will be helpful in planning next year's budget.

November: Get on the Same Page

It is so important for adult children and their parents to be on the same page financially. A recent survey by the National Endowment for Financial Education found that seven in 10 adults say they have difficulty talking to their families about who will make financial decisions for an aging family member who loses the ability to safely handle their money.

The Thanksgiving holiday may seem like a strange time for this discussion, but it may be the only time the whole family is under the same roof.

Your kids need to know much more than whether a will exists. Are there powers of attorney or advanced health care directives in place? What does your health insurance cover? Do you have life insurance? Have you made a list of every single account that you owe or collect money from? These are all important questions that will need to be addressed. It is better to be prepared for the unexpected rather than not know the answers in the event of an emergency. Pages 15 & 16 of this e-book give a full checklist of important financial information that you should make sure to discuss.

December: Look to the Future

Now is the perfect time to reflect on your financial progress over the last year and start planning your financial goals for the upcoming year. What were your successes and failures? Writing down your goals makes them more concrete and easier to track throughout the year. Have a file designated for recording financial ideas or information. Consider adding some of these tips to your monthly calendar, paper or electronic, so they are fresh on the brain.

Maybe set aside a time each month to sit down with your spouse and “talk money.” Evaluate where you are. Did either of you notice anything different this month? Is there something one of you wants to purchase in the near future? Is there an investment opportunity you want to look into? Even if you are happy with the way everything is going, continue to do research, keep up with current events, and keep learning. There may be a better way to do something that you haven’t considered. Discussing these issues is extremely important, so create a good habit of keeping the lines of communication open. When in doubt, be sure to check in with your certified estate planner.

Having a financially organized life is imperative to achieving your personal goals, be it a comfortable lifestyle or a lush retirement. Follow my monthly guide to start freeing up the time you spend checking your finances and more time doing what you enjoy. The top reasons for people not keeping their New Year’s resolutions include being too busy or not being committed to their goals in the first place. We can make excuses and say we don’t have time, but the truth is anytime is a good time to start. Your money and your future are worth taking the time to plan and evaluate where you are and where you want to go. Not only do we want to keep our bodies and minds in optimal condition, but we also want the same for our finances. If you hold yourself accountable, start small, and take it month by month, you are well on your way to financial fitness.



About the Author:

Jean began a career in the insurance and annuity industry in 1991. She has achieved numerous designations and awards. Since 2005, Jean has been awarded continuous membership to the Million Dollar Round Table elite group "Top of the Table." MDRT is an international, independent association for leading life insurance and financial services professionals.

Jean has achieved the prestigious Certified Estate Planner designation under the direction of the National Institute of Certified Estate Planners (NICEP). NICEP is nationally recognized by many of the industry's top Broker/Dealers, Insurance Companies, and numerous professional financial, legal, and tax service organizations that are involved in the area of estate planning. You can find Jean on NICEP's website at www.nicep.org.

Jean is also a published author of the book, "Don't Be A Victim! Protect Yourself!"

Jean is has been a regular Saturday morning guest on Fox 35's Good Day Orlando in The Money Watch Segment, where she contributed valuable information regarding your financial future. Visit www.TheSmartMoneyGal.com to watch previous news segments.

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Make a Budget

Use this worksheet to see how much money you spend this month. Then, use this month's information to help you plan next month's budget.

Some bills are monthly and some come less often. If you have an expense that does not occur every month, put it in the "Other expenses this month" category.

MONTH _____ YEAR _____

My income this month

Income	Monthly total
Paychecks (salary after taxes, benefits, and check cashing fees)	\$
Other income (after taxes) for example: child support	\$
Total monthly income	\$

Income

My expenses this month

	Expenses	Monthly total
HOUSING	Rent or mortgage	\$
	Renter's insurance or homeowner's insurance	\$
	Utilities (like electricity and gas)	\$
	Internet, cable, and phones	\$
	Other housing expenses (like property taxes)	\$
FOOD	Groceries and household supplies	\$
	Meals out	\$
	Other food expenses	\$
TRANSPORTATION	Public transportation and taxis	\$
	Gas for car	\$
	Parking and tolls	\$
	Car maintenance (like oil changes)	\$
	Car insurance	\$
	Car loan	\$
	Other transportation expenses	\$



Make a Budget

	Expenses	Monthly total
HEALTH	Medicine	\$
	Health insurance	\$
	Other health expenses (like doctors' appointments and eyeglasses)	\$
PERSONAL AND FAMILY	Child care	\$
	Child support	\$
	Money given or sent to family	\$
	Clothing and shoes	\$
	Laundry	\$
	Donations	\$
	Entertainment (like movies and amusement parks)	\$
	Other personal or family expenses (like beauty care)	\$
FINANCE	Fees for cashier's checks and money transfers	\$
	Prepaid cards and phone cards	\$
	Bank or credit card fees	\$
	Other fees	\$
OTHER	School costs (like supplies, tuition, student loans)	\$
	Other payments (like credit credit cards and savings)	\$
	Other expenses this month	\$
Total monthly expenses		\$

Expenses

$$\begin{array}{c}
 \$ \quad \boxed{} \\
 \text{Income}
 \end{array}
 -
 \begin{array}{c}
 \$ \quad \boxed{} \\
 \text{Expenses}
 \end{array}
 =
 \begin{array}{c}
 \$ \quad \boxed{}
 \end{array}$$

Maybe your income is more than your expenses. You have money left to save or spend.

Maybe your expenses are more than your income. Look at your budget to find expenses to cut.

IRA Required Minimum Distribution Worksheet

Use this worksheet to figure this year's RMD for your traditional IRA UNLESS your spouse¹ is the sole beneficiary of your IRA and he or she is more than 10 years younger than you.

Deadline for receiving RMDs:

- Year you turn age 70 ½ - by April 1 of the following year
- All subsequent years - by December 31 of that year

1. IRA balance² on December 31 of the previous year _____

2. Distribution period from the table below for your age on your birthday this year _____

3. Line 1 divided by number entered on line 2 = your RMD for this year from this IRA _____

4. REPEAT STEPS 1 THROUGH 3 FOR EACH OF YOUR IRAs.

(Once you determine a separate RMD from each of your traditional IRAs, you can total these minimum amounts and take them from any one or more of your traditional IRAs.)

Age	Distribution Period	Age	Distribution Period	Age	Distribution Period	Age	Distribution Period
70	27.4	82	17.1	94	9.1	106	4.2
71	26.5	83	16.3	95	8.6	107	3.9
72	25.6	84	15.5	96	8.1	108	3.7
73	24.7	85	14.8	97	7.6	109	3.4
74	23.8	86	14.1	98	7.1	110	3.1
75	22.9	87	13.4	99	6.7	111	2.9
76	22.0	88	12.7	100	6.3	112	2.6
77	21.2	89	12.0	101	5.9	113	2.4
78	20.3	90	11.4	102	5.5	114	2.1
79	19.5	91	10.8	103	5.2	115 and over	1.9
80	18.7	92	10.2	104	4.9		
81	17.9	93	9.6	105	4.5		

For additional information, please refer to [Publication 590](#), *Individual Retirement Arrangements (IRAs)*.

¹ Generally, your marital status is determined as of January 1 of each year. If your spouse is the beneficiary of your IRA on January 1, he or she remains a beneficiary only for purposes of calculating the RMD for that IRA even if you get divorced or your spouse dies during the year.

² You must increase your IRA balance by any outstanding rollover and recharacterized Roth IRA conversions that were not in any traditional IRA on December 31 of the previous year.



List of Important Documents

	Where to find it	Notes and updates
Health Insurance Policies		
Primary Health Insurance	_____	_____
Supplemental Medical Insurance	_____	_____
Medicare Card	_____	_____
Long-term Care Insurance	_____	_____
Disability Insurance	_____	_____
Life Insurance (Agent, Beneficiaries)	_____	_____
Funeral Insurance Policy	_____	_____
Financial Accounts and Valuables		
Safety Deposit Box and Keys	_____	_____
Checking and Savings Accounts	_____	_____
Brokerage Accounts	_____	_____
Stocks and Bonds	_____	_____
Jewelry/Coins	_____	_____
Appraisals and Inventory Lists	_____	_____
Retirement and Benefit Plans		
401k Plans	_____	_____
Profit Sharing/Pension Plans	_____	_____
IRA Accounts	_____	_____
Military Benefits/Records	_____	_____
Social Security Records	_____	_____
Debt		
Credit Cards	_____	_____
Outstanding Bills/Loans	_____	_____
Taxes		
Annual Income Tax Records	_____	_____
Property Tax Records	_____	_____

LIST OF IMPORTANT DOCUMENTS

	Where to find it	Notes and updates
Personal Legal Documents		
Birth Certificate	_____	_____
Passport	_____	_____
Citizenship Papers	_____	_____
Marriage Certificate/Divorce Records	_____	_____
Will	_____	_____
Other Legal Documents		
Contracts	_____	_____
Partnership Agreements	_____	_____
Deed to House	_____	_____
Mortgage (or Rental Lease)	_____	_____
Homeowner's Insurance	_____	_____
Automobile Title	_____	_____
Automobile Insurance	_____	_____
Driver's License	_____	_____
Legal and Financial Advisers		
ACCOUNTANT Name:	_____	
Address:	_____	Phone: _____
ATTORNEY Name:	_____	
Address:	_____	Phone: _____
EXECUTOR/TRUSTEE Name:	_____	
Address:	_____	Phone: _____
CO-EXECUTOR/TRUSTEE Name (if any):	_____	
Address:	_____	Phone: _____
OTHER:	_____	
Address:	_____	Phone: _____

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SPECIAL THANKS TO THE STAFF OF AARP PUBLICATIONS FOR THEIR GENEROUS ASSISTANCE WITH THIS PROGRAM.

