

nt to the Patriot Ledger

FINANCES

A new year financial checkup

By Paula Harris
Special to GateHouse Media

The new year is a great time to review your financial health as well as your physical health. Measuring your net worth year over year allows you to understand how you are doing and see if you are meeting your financial goals. Your assets minus your liabilities equal your net worth. Your goal should be to see an ever-increasing positive net worth number.

Investing your excess is important but first you need to focus on obtaining a positive cash flow by reviewing your budget. First, determine your monthly income (net taxes and other deductions), we recommend the 50/30/20 approach to budgeting: 50 percent spent on the "must haves," 30 percent spent on the "nice to haves" and 20 percent going to savings.

We are going to start with the most important: Pay yourself first by setting aside 20 percent of what you earn to your savings by having it automatically transferred from your paycheck or bank account to a savings or brokerage account. This money would be saved for retirement, your rainy day fund, big projects, a new car, college savings, etc. If 20 percent feels like too much, start by making sure you participate in your 401(k) plan so that you receive the full match of your employer's retirement program.

The next is 50 percent of your budget should be spent on the "must haves." These are the necessities of day-to-day life, such as shelter, food, clothing, transportation, utilities and insurances.



Paula Harris is a principal of WH Cornerstone Investments based on the South Shore. COURTESY PHOTO

Finally, the 30 percent can be spent on the "nice to haves": going out to eat or take-out food, designer clothing, vacations and entertainment, like movies, concerts, theatre, sporting events.

The bottom line in budgeting is making mindful money decisions. A bit of forward planning can save you lots of money. But remember this last tip – spend less than you make! It's really that simple.

Paula Harris is a principal of WH Cornerstone Investments based on the South Shore. She can be reached at www.whcornerstone.com or 888-797-9009.

Here are some ideas to increase your cash flow:

- Bring your lunch to work.
- Eat leftovers.
- Make your coffee at home.
- Buy what's on sale and use coupons.
- Drink filtered water rather than bottled water.
- Use generic or store brand products.
- Have a home energy audit done (usually free from one of the utility companies).
- Get a library card to borrow books, movies and museum passes.

For some of your bigger purchases, think about the following:

- Buy a used car vs. a new car.
- Avoid taking vacations during peak travel time and save lots.
- Consolidate your insurance coverage with one carrier and save up to 20 percent.
- Have a gift closet for birthday parties and hostess gifts so you are not running out at the last minute and overspending.
- If you are really daring, cut back to limited basic cable and save 50-100 percent over premium service. Or cut cable and use a service like Netflix.
- Have only a cell phone or a home phone – not both.
- Enact the 24-hour rule before making a purchase you might later regret.