

5 New Year's Resolutions to Boost Your Financial Health

By Louis Scatigna

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Make 2011 the year you take control of your finances and add significant padding to your savings.

Here are five financial resolutions that will save you big bucks this year.

1. Prepare a Net Worth Statement

It's hard to plan for the future without a clear idea of your current finances. A net worth statement provides a good picture of your economic situation by quantifying all your assets as well as the total of all your debt.

Take a piece of paper and on the left side of the paper list the value of all your assets (use the balances as of Dec. 31, 2009) and on the right side, jot down the balances of all your loans.

Subtract your total debts from the total value of your assets and you arrive at your net worth, the exact amount of [money](#) you would have if you liquidated all your assets and paid off all your debts. The goal is to grow your net worth each and every year.

2. Prepare a Cash-Flow Statement (Budget)

Few of us actually keep track of all sources of income and expenses, which can lead to financial problems down the road.

Create a cash-flow statement: Make two columns, one for monthly expenses and one for annual expenses. At the top of the page list all sources of [income](#) (wages, interest, dividends, etc) and total up all your income. Now, list every expense in your life as accurately as you can—and be honest. Keep track of your expenditures, including those trips to [Starbucks](#) and pesky ATM fees for a month and add them up.

Subtract your expenses from your income, if the number left is positive then that's how much you can save and invest, if it's negative that means you're adding debt to finance your lifestyle. Most families can cut 5-10% from their expenses with a little planning and small changes to their lifestyle.

3. Make Money Management a Joint Effort

In many families, it's either the husband or wife that handles the household finances, but it shouldn't be that way--make it a joint effort.

Commit to sitting down each month together to pay the bills, plan for upcoming expenses and discuss ways to save money. Review every credit card bill for accuracy and changes in

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interest rates. Resolve to pay down the balances as fast as possible and review each investment account statement for performance and risk.

4. Become Financially Literate

The majority of Americans have little knowledge about finances, which leads to costly mistakes. Take the time to learn the different types of mortgages, [credit cards](#) and insurance policies. Rent financial literacy books from your local library or hop online to find a plethora of resources for consumers. It's never too late to become financially literate and your financial situation stands to improve.

5. Be Financially Responsible

We live in difficult [financial times](#) so it's important to evaluate your financial behavior. Do you buy stuff you really need or stuff you want? Can you do without eating out four times a week? Vow to become more frugal this year, bring your lunch to work and plan meals at home.

Bring your lunch to work. Buy an affordable home not a McMansion. Do you smoke two packs of cigarettes or drop twenty bucks at the bar each day. Do the math, you are not only wrecking your physical health but your financial health as well. We now live in frugal times and must adjust our behavior in order to survive and become financially healthy.

[See our full coverage of Financial Resolutions to make 2011 a success](#)

[Louis Scatigna is a Certified Financial Planner](#), national radio talk show host and author of "The Financial Physician: How To Cure Your Money Problems and Boost Your Financial Health". Lou is a regular guest on both national and local television [programs](#) and has been quoted in hundreds of publications and websites including Fox Business.com, CNN.com, MarketWatch and [USA Today](#).

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