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In-The-Know Monthly eNewsletter

New Year 'Financial' Resolutions

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Quick, before our enthusiasm for New Year's resolutions is totally behind us, here's a great list of financial resolutions to choose from. Pick one or more and commit to making this a financially fabulous year.

INCREASE YOUR TSP CONTRIBUTION TODAY

If you're not already contributing the maximum (\$18,000 for 2016) round up your contribution by another \$50/per paycheck and vow to continue the increases every 3 months until you hit the limit. How can you reduce your taxes, pay the lowest fees possible and build beautiful retirement? TSP! TSP! TSP! If you're feeling overwhelmed with day-to-day expenses and doubtful that any contribution increase is possible, the next resolution has your name on it. Already at the maximum with TSP? Pause to congratulate yourself and then get schooled on IRAs. Individual retirement account contributions aren't tax deductible for most people and you can't contribute as much to them as you can to TSP but they are still high on the good-money-habits list. The earnings in IRAs don't get reported until you actually make a withdrawal and some people won't even pay tax on the earnings at withdrawal if they are eligible for Roth IRAs.

CONQUER THE CASH FLOW

Now, once and for all, get a handle on the standard of living your paycheck can give you. Gather your 2015 data: final pay stub, bank statements, credit card statements; enter it into a spreadsheet and study what happened. Of all the money that you were paid, how much went to fixed expenses like rent/mortgage, utilities, transportation and food and how much went for discretionary expenses like entertainment, fashion and snacks? If the results aren't pretty, the choices are straightforward: Make more (get that promotion, rent out the extra bedroom, do a little part time work) and/or spend less on the discretionary items.

BECOME A TSP INVESTMENT EXPERT

There are only 5 fund choices to understand and your retirement depends on you getting it right. Clue: Go for growth when you've got more than five years before you're going to spend your TSP – now you've only got 3 funds to master! Still feel uncertain? Study those L funds and pick the one that give you the growth you'll need based on your time frame for drawing down the funds.

TUNE OUT THE NOISE

Our 24/7 information environment constantly swirls distracting questions at us. Will China's economy stall? Will interest rates go up again? What will the terrorists do next? Are we prepared for another natural disaster? Don't let the issue of the moment pull you off your long term investment strategy. Market values will continue to go up and down, regardless of the lead stories. Remember, a down market is nothing more than a great buying opportunity for smart investors.

LIVE BELOW YOUR MEANS

Just because you can afford a more expensive car, a bigger home, another bit of bling doesn't mean you should make the purchase. Some of our most financially secure clients resisted the urge to trade up to more expensive homes.

GET OUT OF DEBT

Other than an appropriate low interest rate mortgage or a really short term low interest rate car loan, it all has to go and stay gone.

INSURE WHAT YOU CAN'T AFFORD TO LOSE

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When was the last time you looked at your insurance policies? 2016 is a great year to make sure your policies can keep you financially secure if bad news comes your way. Make a list of all the policies you have (homeowners, renters, auto, umbrella liability life, disability, long-term care are the most common) and spend 30 minutes with each, reacquainting yourself with what is actually covered by the insurance company and what is still your responsibility. It would be happenstance that the policy that was perfectly covered your needs years ago is still the right policy for you today. A chat with your insurance company or agent could be in order. We don't want to be over or under insured, but it's important to get this one just right.

DON'T CONFUSE LIFE INSURANCE WITH INVESTING

Some people are still getting sold life insurance policies that combine investment features with death benefits. They are complicated and more expensive than just buying term life insurance and doing your investing through TSP, IRAs, and other investment strategies.

TEACH YOUR CHILDREN WELL

The best financial plans can be drawn off course by children who aren't good with money. Lead by example, encourage good money behavior, love them unconditionally but have a financial firewall in place. Bailing out pseudo adult children and co-signing with the inexperienced can put your own plan in jeopardy.

KEEP AN EYE ON YOUR PARENTS

Sadly, financial abuse of the elderly is a real issue. As we age, many of us will experience cognitive decline which leaves us prey to unscrupulous family and con artists.

UPDATE ESTATE PLANNING DOCUMENTS

Of course, the best plan for 2016 is to stay healthy, but let's not skip over this cornerstone piece of your plan. All adults need a Power of Attorney for financial matters, a Health Care Directive for medical decisions, a Living Will to document end-of-life directions and a will. And, we should all know enough about trusts to know whether we need trusts in our plans. If you have these documents, pull them out and review them. If you don't, find a good estate planning attorney and get that first appointment scheduled.

Finally, one of my favorite resolutions:

BE GRATEFUL, BE GENEROUS, BE HAPPY!

Otherwise, what's the point of being good with your money?! Happy New Year!

Karen P. Schaeffer, CFP® is a presenter for NITP, Inc. and the Managing Member and Co-founder of Schaeffer Financial LLC, an SEC-registered investment advisory firm located in Rockville, Maryland.

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