

Investing - New Year Financial Tune Up

Contributed by
Tuesday, 03 April 2007

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While you're making your New Year's resolutions, don't forget to give your financial house an annual tune-up. As the old saying goes, an ounce of prevention is worth a pound of cure, and few adjustments now could save you thousands of dollars, not to mention some major headaches, in the months and years to come.

The first step in any financial tune-up is to reassess your financial goals and make sure you're on track to reach them. For instance, has your target date for retirement changed? Has a spouse had a career move that affects how much you have going into savings? Are you planning any major purchases this year, such as a kitchen remodel or buying a car?

If you depend on your investments for income, perhaps your cost of living has increased and you need to find a way to increase your returns. Maybe you've downsized your home and your income needs have decreased. Whatever the case, now is the time to determine what your current needs are and how to adjust your investments to improve their ability to achieve your goals.

The second step of your financial tune-up is to make sure your estate planning and insurance policies are up-to-date and in order. I know it's not a lot of fun to do this, but believe me, if you could talk with folks like I have, who didn't have their houses in order and are paying the price, you'd gladly take the time to do it now. And it's not as bad as you think.

Read over the estate documents you have, such as a will, living trust, powers of attorney, etc., and make sure they reflect your current wishes and situation. Don't have the right documents in place? No time like the present to take care of it. Not sure what you need? Just ask me.

Review your insurance policies, making sure to verify your liability coverage. For instance, most drivers don't carry enough uninsured motorists coverage. And after all the hurricanes of 2005, make sure you know exactly what is covered in your homeowner's policy. If you have questions, make an appointment with your insurance agent and know for certain. Don't forget about reviewing your long-term care and disability policies as well. And if your needs for life insurance have changed, maybe it's time to cancel some policies or up your coverage.

If you're still employed, talk with your human resources department and make sure you're maximizing all available benefits. Max out your 401k and any matching contributions from your employer. See if there are ways to lower your health insurance costs. Some even offer tuition reimbursement.

The last major step of your financial tune-up is a close inspection of your investments. If you have mutual funds, check out your funds at www.Morningstar.com. By entering each fund's symbol, you can quickly measure your fund's performance, rating, how they compare to similar funds, and whether your fund has had a recent management change that could affect performance. You want to be in funds that have consistently performed well over the long haul, not just one-year-wonders. If you happen to own some funds that are laggards, then fire them and replace them with higher-ranked ones.

When determining what funds to have, don't just look at performance, but also look at diversification. If you own several funds, but they're all invested in large-cap companies, that's not proper diversification. You should spread your eggs among several different categories, types and strategies. And don't forget to make sure your company retirement account isn't 100% in company stock.

Make sure you're not too over-weighted in any one category. For example, energy and international stocks did very well in 2005. If you have hefty gains in those holdings, you might want to rebalance some of those profits into other categories.

An annual financial tune-up might only take a few hours, but its benefits could last a lifetime. If nothing else, you'll gain the peace of mind that you're on track to reach your financial goals and you have your estate in order. If you uncover some problem areas, you'll be able to make changes now before you have to pay for costly mistakes.

Nationally-syndicated financial columnist and Certified Financial Planner® Jeffrey Voudrie provides personal, in-depth money management services and advice to select private clients throughout the USA. He'll answer your financial question – FREE at <http://www.guardingyourwealth.com>

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