12 FINANCIAL RESOLUTIONS

Review and revamp your financial plan all year long.

Instead of hauling out those familiar New Year's resolutions about eating less and exercising more, how about focusing on something that's also very good for you in the long run – and even sooner? We're talking about your financial plan – your fiscal health, if you will. The approach of a new year – or any time, for that matter – is a great time to review your plan and make whatever revisions might be indicated. With that in mind, here are 12 suggested resolutions that, if followed, could help you go a long way toward attaining your financial goals.

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1

Get your balance sheet in order

You can't realistically expect to reach a goal without knowing where you're starting from. Using December 31 as the effective date, update your personal balance sheet (assets versus liabilities, broadly speaking). You should already have – or develop if you don't – an idea of what you're going to need to reach important financial goals. If you're already retired, you also need to know if the income you receive from Social Security, pensions, retirement plan assets or other sources is still going to support your current lifestyle. Either way, you've got to have a scorecard. Everything else really proceeds from this, so take the time to bring all these numbers up to date.

2

Review your budget and spending habits

How close did you come to what you had planned to spend last year? Where did you go off-track and what can you do about that? Has something fundamental changed in your life that affected your expenses, and is that a one-time item or an ongoing cost? Where can you trim expenses? Although some budget items are fixed, a sharp pencil can produce significant savings on other costs.

Some businesses engage in a process called zero-based budgeting in which every anticipated expense must be justified again every year (at the personal level, this approach is sometimes called zero-sum budgeting). In other words, the $2,500 you spent last year on travel would have nothing to do with what you budget for travel this year. Instead, you start with what you realistically expect to have as income, then assign those dollars to your various expense categories, while also maintaining flexibility to account for cost areas such as healthcare that can't be pinned down precisely.

3

Review the titling of your accounts

Account titling often occurs haphazardly – an individual opens a bank or brokerage account, meets Mr. or Miss Right, they live together or get married and … down the line there's a problem. If one partner dies and that bank or brokerage account is still titled only in the original holder's name, those assets can't be accessed readily by the survivor. The solution may be as straightforward as changing to joint accounts, but it's not always that simple. In fact, titling has implications across a wide range of estate planning issues, as well as other situations such as Medicaid eligibility, special needs qualifications and borrowing power, to mention just a few. Account titling is more than just using the right form – it can also be a tool for estate planning. Review your account titling and determine if that's still the arrangement you want.

4

Designate and update your beneficiaries

If you don't correctly document and update your beneficiary designations, who gets what may be determined not according to your wishes, but by federal or state law, or by the default plan document used in your retirement accounts. When did you last update your beneficiary designations? Has something changed in your life (divorce, remarriage, births, deaths) that necessitates changing your beneficiaries? You should update your beneficiaries on anything that affects your heirs (wills, life insurance, annuities, IRAs, 401(k)s or qualified plans ... the list goes on). If you've designated a trust as a beneficiary, has anything changed in the tax laws regarding trusts that could affect your heirs? Have you provided for the possibility that your primary beneficiary may die before you? Have you provided for the simultaneous death of you and your spouse? You need a good estate planner to walk you through the various scenarios.

5

Evaluate your cash holdings

Everyone should have a certain amount of assets – six or more months of living expenses is a common rule of thumb – set aside in cash accounts that can be accessed quickly and easily. Think about where your cash reserves are located, bearing in mind that only member banks of the Federal Deposit Insurance Corp. can offer FDIC insurance, and only up to a maximum of $250,000 per account. The FDIC insurance coverage limit applies per depositor, per insured institution for each account ownership category. This means that a bank customer who has multiple accounts may qualify for more than $250,000 in insurance coverage if the customer's funds are deposited in different ownership categories and the requirements for each ownership category are met. Ownership categories include single, joint, certain retirement accounts, revocable and irrevocable trust accounts, employee benefit plan accounts, and certain corporate and government accounts.

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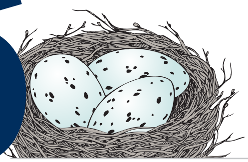

Revisit your portfolio's asset allocation

The ups and downs of the markets affect your asset allocation. Appreciation among large caps may tilt your portfolio into more conservative territory than you'd like or market volatility may create imbalance in another sector. The question is, are you comfortable with the current level of risk in your portfolio? Risk tolerance isn't static – it changes based on your net worth, age, income needs, financial goals and various other considerations. The most recent recession has made many investors more risk-averse. That's certainly understandable, but it may be that you need to – very carefully – take on slightly more risk to keep pace with your goals. You want to make informed decisions here. Review your holdings and your overall asset allocation with your financial advisor and make whatever adjustments are indicated.

EVERYONE SHOULD HAVE A CERTAIN AMOUNT OF THEIR ASSETS SET ASIDE IN CASH

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Evaluate your sources of retirement income

Most retirees have several sources of income such as Social Security, pensions, retirement portfolios, rental properties, notes receivable, inheritances, etc. Every individual picture is different. Think about how secure each source is. Can you really count on that inheritance Are there likely to be vacancies in your properties that would interrupt the cash flow? Are the notes receivable backed up by collateral? The point is to know which income sources are reliable and which are less certain, and how much of your total income each category represents. If too much of your retirement income is from sources you consider less than solid, it may be time to reposition your assets.

8

Review your Social Security statement

If you're not yet retired, you need to go online and establish an account with the Social Security Administration – the SSA no longer sends individual statements of accrued benefits in the mail. Review your statement, and be sure all your earnings over the years have been recorded. Use the SSA's online calculator to compute your benefits at various retirement ages (it's generally best to wait as long as possible to begin collecting). Revise your spousal plan if warranted – this won't apply to everyone.

USE THE SSA'S ONLINE CALCULATOR TO COMPUTE YOUR BENEFITS AT VARIOUS RETIREMENT AGES

9

Review the tax efficiency of your charitable giving

Think strategically about your contributions – donate low-cost-basis stocks rather than cash, for example. Consider establishing a donor-advised fund, which enables you to take an upfront deduction next year for contributions made over the next several years – and provides other benefits. Give, but do so with an eye toward reducing your tax liability.

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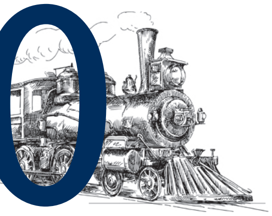

Check to see if your retirement plan is on track

Losses incurred during the most recent recession may have derailed and/or delayed the retirement plans of many investors. The important thing is to respond and determine – promptly and realistically – what changes might be needed. In evaluating the current state of your plan, don't fixate solely on a number – "We'll be fine when our retirement portfolio is worth $X" – that just isn't the way retirement works anymore, if it ever did. You need to drill down into what types of assets you have, what your cash flow situation is and what it will be, what your contingency plans are, what rate of return you're assuming, what inflation rate you're assuming, how long you're planning for, and all the other important details that go into achieving a successful retirement. The truth is retirement has a lot of moving parts that must be monitored and managed on an ongoing basis.

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Make the indicated changes

By now you should have a good idea of where you stand overall, what your cash flow situation is (including whether you're saving enough), what your retirement income picture looks like, and where the shortfalls or other challenges are. Do you need to adjust your contributions to your IRA or other retirement plans? Do you need to adjust your tax withholding? If you're due for a raise, how about channeling the extra money into a retirement account? Are you taking full advantage of your employer's retirement plan options, particularly any contribution match program? Regardless of whether you're years away from retirement or fairly close, the effects of compounding can be very significant – if you take advantage of them. Go after any problem areas – or opportunities – systematically and promptly.

12

Set up a regular review schedule with your advisor

Your financial advisor can help you with specialized tools, with impartiality, and with the experience earned by dealing with many market cycles and many different client situations. It's vital that you communicate fully with your advisor, telling him or her not only what's happening in your life today but what's likely to happen or might happen in the future. Are you going to move, change jobs, have kids coming up on college age, face the possibility of significant medical expenses? Advisors can't help you manage what they don't know, so err on the side of over-communicating. Establish a regular schedule for getting together and reviewing your portfolio, your financial and retirement plans, and what's happening in your life.

Since we all know that resolutions tend not to survive very long, add one more to make this a baker's dozen. Resolve to really follow through on these – and give yourself permission to spend a day lazing around watching movies and eating ice cream when you're done! Just one day, though.

LIFE WELL PLANNED.

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