

FINANCIAL INSIGHTS BLOG

BUDGETING | SAVING & INVESTING | THE ECONOMY

The Best Financial Resolutions to Commit to Next Year

The practice of making New Year's resolutions has reportedly been around for thousands of years and has evolved over time. At the end of each year we take time to reflect on our behavior and achievements, or lack thereof, in the outgoing year and *resolve* to improve in the new year by setting fresh goals or revisiting old ones. These goals can be fitness related; we promise ourselves to exercise more, eat better or lose weight. We may also vow to spend more time with family and friends or take up a new hobby. Other popular goals relate to our finances, we may simply commit to spending less and saving more or more ambitiously, we may desire to become debt free, build more wealth, or buy a home. This blog post will explore a few of the best financial resolutions that you can commit to next year. Certainly, following at least one of these resolutions will set you on the path for better financial health in 2024 and beyond.

Complete a financial checkup

Start the year off by taking stock of your personal financial situation. A financial checkup involves a comprehensive look at your finances to get a clear picture of your financial health. It is recommended that one be done at least annually or after a significant life event. As a part of the checkup, you should first evaluate and verify your financial priorities to ensure that they remain in line with your long term goals. Calculating your net worth by comparing your assets to your liabilities is also an important part of the checkup. You should also assess your savings and spending habits over the past year and identify any necessary adjustments. You may discover that you are overindebted or living outside your means. The results will allow you to pinpoint any deficiencies that may be impeding your long-term financial goals and help guide your financial planning throughout the year.

Prepare and follow your budget

A budget is an important financial tool that allows you to map out your estimated spending relative to your expected income over a period of time. By doing so,



you are able to keep track of your spending and saving habits. However, creating a budget is no good if you do not follow it. We are often derailed from our budget by spending on unnecessary items. In 2024, avoid impulse buying by creating a rule to delay the purchase of non-essential items; if you are not thinking about it after a week or so, then you really didn't need it. You can also be motivated to stick to your budget by pledging to monitor your progress on a monthly basis and scoring your behavior. Aim to improve low scores and to repeat high ones the following month. There are many tools available online to help you prepare and keep track of your budget and the topic is covered in a previous blog post found [here](#).

Save more by paying yourself first

If you haven't done so already, make it a priority in 2024 to pay yourself first through automatic savings. Paying yourself first involves putting a portion of your monthly income towards an investment or retirement account before doing anything else with the money. This can be easily achieved by setting up a standing instruction with your bank to have funds transferred directly to a brokerage or mutual fund account. Where possible, you can also liaise with your HR rep to increase the portion of your salary that is deducted for your pension. Once these methods are established, you can automatically put a portion of your salary towards building wealth with little thought or interference.

Pay off your credit card balance each month

Paying off your entire credit card balance each month will ensure that you don't spend more than you can afford. Once you are committed to having a zero balance at the end of the month, you are less likely to be tempted to make purchases that are outside your budget. Instead, use your card to make online purchases safely or to collect points and earn rewards. Remember, credit card debt comes with high interest rates and penalties for late payment. If you are unable to pay off this "loan" every month, ditch the credit card and stick to a debit card.

Reduce existing debt and avoid new debt

We have said it many times before and you may be tired of hearing it, but proper debt management is one of the keys to financial success. Reducing debt should always be a priority. In addition to paying off your credit card debt monthly next year, you should commit to increasing monthly payments to be applied to the principal balance of any outstanding debt. This will help you pay off the debt earlier and save on interest payments in the long-term. In the new year, aim to avoid new debt altogether, unless it is for productive purposes that will help you generate wealth over time, such as buying a home or starting a business. Remember, the more money you are spending to service debt, the less money you are saving.

Commit to improving your financial literacy

It is often said that knowledge is power. Improving your financial literacy can help you gain confidence and make smarter financial decisions. There are many free resources available online that you can take advantage of to boost your financial literacy. In 2024, plan to learn at least one new financial concept a month. Read blogs, such as this one, listen to podcasts and subscribe to free financial newsletters. You can also follow legitimate financial experts on social media. While you may not become a financial expert yourself, you can become better equipped at managing your personal finances.

There are many more resolutions that you can make to achieve your financial goals. Always remember that everyone's financial circumstances are different, and you should always tailor any plans to suit your needs.

CFAL is here to help.

If you need additional help, feel free to reach out to us for a Financial Planning Session. Our Certified Financial Planners are here to assist you with your budgeting, saving and investing needs.

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