

Smart Future, LLC Newsletter December 2009



Nancy Curtin, CLTC

Joy to the World- My Finances are in Order!

With the Christmas and Hanukah season here, it's a time of joy as we celebrate the love of God, the warmth of family and the fun of having good friends. One of the best gifts you can give to yourself and your family is a commitment to get your finances in order for 2010.

In lean times I often see people shy away from knowing their exact financial state. The "Ostrich Syndrome" is something we have all experienced. Maybe you have too much credit card debt due to a lowered income stream, or you have been looking at your 401K and wondering if you can ever retire. My gift to you this month is this message: Cheer up because help is on the way. Remember that knowledge is power. Here are some very clear steps you can take today to gain some valuable ground with your personal finances:

1. You can't fix what you don't know is broken. If your credit card charges are in one place, bank statements in another, life insurance policies and mortgage statements in yet another drawer, STOP. Buy a computerized software program like Quicken or Moneydance. Get everything into one place and log your assets, liabilities, saving and spending patterns into the software.
2. Now that you have organized your finances you can make a plan to strengthen the weak areas. Create a spending analysis to see where your money goes on a monthly basis. Take a hard look at your debt. What type of debt is it? What are some common spending patterns that you fall into? Are you saving enough? Now create a realistic budget that you can live with.
3. Once you have a plan in place, make a commitment to a weekly upkeep of your financial life. You can download your account activity directly into the financial software and reconcile on the spot. Use the software to run reports and perform financial analysis so you can pinpoint areas that need improvement.
4. Raise your credit score and keep it as high as possible. I cannot emphasize this enough. This will make a big difference when you apply for a mortgage or need extra credit temporarily for a large (planned-for) purchase. Pay your debt down as soon as possible, and always pay on time. The fine print on many issuers' agreements allows them to raise your interest rate if even one payment is late.
5. Aim to live 10-20% beneath your means. This is attainable with some planning. Start slowly by cutting back in one category. Ask yourself if you really need that extra item of clothing or that pricey bottle of wine. It is human nature to spend up as we earn up. It takes purposeful discipline and a written budget to counteract this tendency. I also recommend a planned-for splurge every two months or so to keep yourself motivated—we all need occasional treats!
6. Make a commitment to take action on these basics: have enough life, disability and long-term care insurance and keep it current with your lifestyle; put the maximum contribution into a 401K, a SEP or some other pre-tax vehicle; save that extra 10-20% (see above) into a cash account or whole life policy; make a commitment to get out and stay out of debt; pay with cash whenever possible; and amass as much cash as you can so you can move towards becoming your own banker, whereby you will never have to borrow from a commercial lender.

Cheer up, help is on the way. Knowledge is power.

Keep your credit score up!

Live 10-20% beneath your means.

Aim to stash cash and move towards becoming your own banker!

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You can come out of this holiday season with renewed hope and a plan in place for 2010 to ensure a solid financial future for you and yours. Now that's joyful!

Sincerely,
Nancy Curtin, CLTC