

# Making and Keeping Financial Resolutions

*What you might do (or do differently) in the months ahead?*

**How will your money habits change in 2016?** What decisions or behaviors might help your personal finances, your retirement prospects, or your net worth?

Each year presents a “clean slate,” so as one year ebbs into another, it is natural to think about what you might do (or do differently) in the 12 months ahead.

Financially speaking, what New Year’s resolutions might you want to make for 2016 – and what can you do to stick by such resolutions as 2016 unfolds?

**Strive to maximize your 2016 retirement plan contributions.** The 2016 limit on IRA contributions is \$5,500, \$6,500 if you will be 50 or older at some point in the year. Contribution limits are set at \$18,000 for 401(k)s, 403(b)s, and most 457 plans; if you will be 50 or older in 2016, you can make an additional catch-up contribution of up to \$6,000 to those accounts.<sup>1</sup>

**If you want to retire in 2016, be mindful of the end of “file & suspend.”** Social Security is closing the door on the file-and-suspend claiming strategy that married couples have used to try and optimize their Social Security benefits. If you are married and you will be at least 66 years old by April 30, 2016, you and your spouse still have a chance to use the strategy. Starting May 1, that chance disappears forever for *all* married couples. (It will still be permitted on an individual basis.)<sup>2,3</sup>

Similarly, the opportunity to file a restricted application for spousal benefits has also gone away. This was another tactic retirees employed in pursuit of greater lifetime Social Security income.<sup>2</sup>

**Can you review & reduce your debt?** Look at your debts, one by one. You may be able to renegotiate the terms of loans and interest rates with lenders and credit card firms. See if you can cut down the number of debts you have – either attack the one with the highest interest rate first or the smallest balance first, then repeat with the remaining debts.

**Rebalance your portfolio.** If you have rebalanced recently, great. Many investors go years without rebalancing, which can be problematic if you own too much in a declining sector.

**See if you can solidify some retirement variables.** Accumulating assets for retirement is great; doing so with a planned retirement age and an estimated retirement budget is even better. The older you get, the less hazy those variables start to become. See if you can define the “when” of retirement this year – that may make the “how” and “how much” clearer as well.

**The same applies to college planning.** If your child has now reached his or her teens, see if you can get a ballpark figure on the cost of attending local and out-of-state colleges. Even better, inquire about their financial aid packages and any relevant scholarships and grants. If you have college savings built up, you can work with those numbers and determine how those savings need to grow in the next few years.

**How do you keep New Year's resolutions from faltering?** Often, New Year's resolutions fail because there is only an end in mind – a clear goal, but no concrete steps toward realizing it.

So, if your aim is to save \$20,000 toward retirement this year, map out the month-by-month contribution to your retirement account(s) that will help you do it. Web tools like Level Money and Mint.com can help you examine your cash flow week-to-week and month-to-month – you can use them to keep track of your saving effort as well as other aspects of your finances.<sup>4</sup>

If you wish, you can let a loved one or a close friend in on your New Year's financial resolutions. That loved one or friend may decide to adopt them. Even if he or she does not, sharing your resolution might increase your commitment to carrying it out. Dominican University of California did a study on this very subject and found that when people set near-term goals and kept those goals private, they achieved them about 35% of the time – but when they informed friends about them and sent weekly progress updates, the achievement rate surpassed 70%.<sup>4</sup>

Lastly, you may want to automate more of your financial life. If you have not set up monthly money transfers to a retirement or investment account, 2016 can be the year this happens.

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**Citations.**

1 - [money.usnews.com/money/retirement/articles/2015/10/26/how-401-k-s-and-iras-will-and-wont-change-in-2016](http://money.usnews.com/money/retirement/articles/2015/10/26/how-401-k-s-and-iras-will-and-wont-change-in-2016) [10/26/15]

2 - [money.usnews.com/money/retirement/articles/2015/12/04/say-goodbye-to-the-social-security-file-and-suspend-strategy](http://money.usnews.com/money/retirement/articles/2015/12/04/say-goodbye-to-the-social-security-file-and-suspend-strategy) [12/4/15]

3 - [tinyurl.com/p3exq5s](http://tinyurl.com/p3exq5s) [12/18/15]

4 - [forbes.com/sites/bethbraverman/2015/12/29/4-tricks-to-get-your-new-years-resolutions-to-actually-stick-this-year/print/](http://forbes.com/sites/bethbraverman/2015/12/29/4-tricks-to-get-your-new-years-resolutions-to-actually-stick-this-year/print/) [12/29/15]