

ASSESSING YOUR FINANCIAL HEALTH

Recent history has moved many of us to take another look at our finances—a smart thing to do in any economy. Maybe it's been a while since you took your financial temperature, or maybe this is the first time you've considered it. Either way, the time is right to make sure you are healthy, financially speaking.

Step 1: Current status

Start by evaluating where you are now by tracking your current income and expenses. Do you have a budget in place? If not, that's a great place to begin. Writing down your monthly income and expenses helps you visualize where your money is going. Include a line item for discretionary purchases. Just writing it down may help you pause when deciding whether to buy those extras.

Determine your net worth by subtracting your liabilities (what you owe) from your assets (what you own). If you are not on track to reach your financial goals, then move on to Step 2.

Step 2: Make changes

Set some goals that will help you achieve better financial health. Make them realistic, and hold yourself accountable. For example, if you have more credit card debt than you'd like, set a goal of paying it off by a certain date. If your savings are slim, set a goal of saving enough money to cover six months' worth of expenses within three years. Check your progress six months from now. If you're on track, give yourself a small reward. If you are not progressing as fast as you'd hoped, make the necessary changes.

The key to change is becoming aware of where change is needed. Whether you need to pay off debt, save for emergencies or build up your retirement savings, you should make it a habit to save regularly. If you pay yourself first by contributing to your 401(k) plan or a savings account, you may be less tempted to spend on unnecessary purchases.



Visualize your goal; that will encourage you to keep saving.

Step 3: Keep going

It can be hard to change habits. With proper motivation and periodic progress reviews, though, you can do it. Can you drive your car a year or two longer? Can you dine out less often? As you see your savings build with your thoughtful spending choices, you'll be encouraged to continue.

Thoughtful choices mean keeping yourself informed. Don't buy on impulse; instead, shop for the best deals, whether you are buying tires, groceries or phone service. Use coupons, buy generic, and bundle services. Be willing to let go of less important (but long standing) expenses like unused gym memberships or an unneeded household telephone line. Think of these cuts as contributions to your long-term savings plan.

Remember, you are ultimately in control of your financial health. Make it happen.