

## New Year's Resolution - Going on a Financial Diet and How to Sustain It

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When it comes to New Year's resolutions, I like to keep my goals attainable. I remember watching Phil Dunphy on *Modern Family* trying to walk to Canada on an elliptical machine and thinking: "why would you ever put yourself through that torture?"

Using the prior year as my baseline, I will not set a goal of walking to Canada, I assure you. But I still try to make improvements, especially when setting my savings goals. I find that there is no one I enjoy going up against more than prior year me. I should be wiser with age, right?

I wrote an article recently featured in Kiplinger: <https://www.kiplinger.com/personal-finance/602037/time-to-go-on-a-financial-diet-get-your-finances-in-great-shape-in-2021> <sup>[2]</sup>. In this article, I give tips and tricks to get you set up for what would hopefully be a better financial year. To further expand upon this, let me preach some of my practices:

1. **Credit Cards** – I like to have alerts set at certain limits. The alerts sort of shame me into slowing my spending. For instance, if I am a week into the month and the alert hits, then I know it's time to get off the online shopping.
2. **Emergency Fund** – Personally, I prefer to have around 5-6 months of living expenses in savings in case of emergency. At a minimum, you should keep 3 months of cash on hand. Make sure these funds are in an account other than your checking, so they are out of sight and mind but are there for the unexpected. Also, it might make sense to park some cash in here that you think you might need for taxes.
3. **Savings** – Each year, I try to reset my savings goals. I start with a reasonable savings

number (maybe slightly more than last year and I'll factor in any raise) and try to beat it throughout the year. For instance, if you currently aren't putting the maximum in your 401(k) or 403(b) plan, then you can try to increase the savings amount by a few percent and see how it feels. If you still think you have room to add more, then you can keep increasing it until either you feel you need to stop or you have put the maximum in for 2021 (\$19,500 +\$6,500 if you are 50+).

If you are maxing out your retirement plans, it might be time to adopt a brokerage account or as many of my friends call it, a stock account.

Other great places to save are Health Savings Accounts (assuming you are on a high deductible health plan), Roth IRAs through backdoor Roth contributions if need be, or even 529 plans for your kids or even grandkids.

4. **Automation is your friend!** – Set up all of your savings to automatically go into your designated accounts each month. That way they are out of sight and mind.
5. **Bonus income** – I sometimes have to catch myself not spending it before it gets here. So often I think, oh I can buy that because I am getting a bonus soon. I find that if I do that, I might have spent more of that bonus than I realized. Be careful not to mentally and physically spend bonuses before they get to you. I am absolutely a proponent of treating yourself. However, do try and put a good chunk of those funds away first for your future, then spend the rest!

The key to any of this is to actually do it. Don't get overwhelmed. Start small because you will notice that every little bit helps over time.

For more personal financial tips, [check out our Bright Blogs.](#) [3]

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