

SOME FINANCIAL NEW YEAR'S RESOLUTIONS

Things you might want to consider doing in 2010.

Provided by Timothy C. Hucks, CEP, President, Rising Tide, Inc.

Okay. It's that time of year - the time for new year's resolutions. They can include financial resolutions. Here are some possibilities for 2010.

Control non-mortgage debt. Experian says the average American carries about \$17,000 in debt unrelated to home loans. Too much of this is simply credit card debt. So how about paying down, paying off and maybe getting rid of some cards?¹

How much financial ground can you lose to plastic? Well, if you have a credit card with a \$17,000 balance and 10% APR and you pay \$200 monthly on it, it will take you 12 years to pay it off.¹

You may have so-called "good debts" as a consequence of your business or your professional career. Yet ultimately, debt is debt. You can certainly plan to build wealth and control debt at the same time, and why not plan to do both?

Play catch-up if you're older than 50. All of us over 50 have the chance to make a catch-up contribution to our IRAs and 401(k)s. If you have a 401(k), you can defer up to \$22,000 of your 2010 salary into it if you're over 50 (an extra \$5,500 above the usual limit). You also have the chance to contribute an extra \$1,000 to your IRA (or among multiple IRAs if you have more than one). And if you've got an IRA, there's no point in waiting until April 15, 2011 to make your 2010 contribution - if you wait that long, you'll potentially lose 15 months of interest.²

Look into the possibility of a Roth IRA conversion. 2010 presents investors with a prime opportunity to convert traditional IRAs into Roths. The IRS has removed the income limitations on Roth conversions this year, and it will let you spread the taxes due on a 2010 Roth conversion across 2011 and 2012. However, you should definitely talk to a tax professional before you make this move. As income tax rates could be raised for 2011 or 2012, you may want to take the tax hit on a Roth conversion in 2010 instead.³

Keep important documents where you can access them. Tax returns, wills, trust documents, deeds, insurance policies - you don't want to have to hunt for this stuff, and neither should your heirs in a crisis. You may not want to keep these documents out in the open, but you should know where they are. Resolve to put them all together in a central place in 2010. Another option: you may want to store copies online. Some financial advisors offer their clients firewall-protected, password-only "web vaults" for this purpose, so you can take a look at these items away from home if needed.

Understand how your portfolio assets are allocated. A new FINRA survey finds that 79% of Americans regularly contribute to retirement savings plans. That's the good news. The bad news? About a fifth of those people had no idea how those assets were invested.⁴

When stocks do well, it is easy to become less vigilant about your investments. It is also easy for your portfolio to get out of whack and become overweighted in this or that asset class. So the first part of 2010 is a very good time to check in with your financial advisor. After all the volatility in the market the last couple of years, it is prudent to review your investments and see if your portfolio needs rebalancing to bring it back in line with your risk tolerance and investment horizon.

More people abide by financial resolutions than you might think. In late 2009, Fidelity surveyed a group of about 1,000 Americans and found that 60% of them had kept financial resolutions they made at the start of the year.⁵ So it can be done. Resolve to change your financial habits for the better - and follow through on it.

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Citations.

¹ walletpop.com/blog/2009/12/28/put-the-solution-in-resolution-10-steps-to-financial-sanity-i/ [12/28/09]

² washingtonpost.com/wp-dyn/content/article/2009/12/18/AR2009121804699.html [12/18/09]

³ latimes.com/business/la-fi-roth-iras1-2010jan01,0,3862158,full.column [1/1/10]

⁴ foxbusiness.com/story/markets/americans-nearly-flunk-financial-literacy-test/ [12/28/09]

⁵ blogs.consumerreports.org/money/2009/12/financial-2010-new-years-resolutions-surveys-save-money-spend-less-stick-to-budget-fidelity-investme.html [12/31/09]