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Getting Your Personal Finances in Shape for 2019

Fall is a good time to assess where you stand and where you could be.

You need not wait for 2019 to plan improvements to your finances. You can begin now. The last few months of 2018 give you a prime time to examine critical areas of your budget, your credit, and your investments.

You could work on your emergency fund (or your rainy-day fund). To clarify, an emergency fund is the money you store in reserve for unforeseen financial disruptions; a rainy-day fund is money saved for costs you anticipate will occur. A strong emergency fund contains the equivalent of a few months of salary, maybe even more; a rainy-day fund could contain as little as a few hundred dollars.

Optionally, you could hold this money in a high-yield savings account. A little searching may lead to a variety of choices; here in September, it is not hard to find accounts offering 1.5% or more annual interest, as opposed to the common 0.1% or less. Remember that a high-yield savings account is intended as a place to park money; if you make regular deposits and withdrawals to and from it and treat it like a checking account, you may incur fees that diminish the savings progress you make.¹

Review your credit score. Federal law entitles you to a free copy of your credit report at each of the three nationwide credit reporting firms (Equifax, TransUnion, and Experian) every 12 months. Now is as good a time as any to request these reports; visit annualcreditreport.com or call 1-877-322-8228 to order them. At the very least, you will learn your credit score. You may also detect errors and mistakes that might be harming your credit rating.²

Think about the way you are saving for major financial goals. Has your financial situation improved in 2018, to the extent that you could contribute a little more money to an IRA or a workplace retirement plan now or next year? If you are not contributing enough at work to receive a matching contribution from your employer, maybe now you can.

Also, consider the way your invested assets are held. What are your current and future allocations? Some people have heavy concentrations of equities in their workplace retirement plan, IRA, or brokerage account due to Wall Street's long bull market. If this is true for you, there may be some pain when the next bear market begins. Check in on your portfolio while things are still bullish.

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Can you spend less in 2019? That might be a key to saving more and putting more money into your rainy day or emergency funds. If your pay has increased, your discretionary spending does not necessarily have to increase with it. See if you can find room in your budget to possibly cut an expense and redirect the money into savings or investments.

You may also want to set some near-term financial goals for yourself. Whether you want to accomplish in 2019 what you did not quite do in 2018, or further the positive financial trends underway in your life, now is the time to look forward and plan.

Citations.

- 1 - thesimpledollar.com/best-high-interest-savings-accounts/ [8/31/18]
- 2 - ftc.gov/faq/consumer-protection/get-my-free-credit-report [9/6/18]

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