Resolution Revolution

How to actually stick to your financial goals for the coming year, plus 7 inspiring suggestions.
by Suzanne Gerber

Another new year, another set of doomed resolutions?

Not so fast, Mr. Grinch. Fidelity Investments' fifth annual New Year Financial Resolutions Survey, from late 2013, found that an all-time high 54 percent of respondents were considering making a financial resolution in the coming year, and 62 percent from the previous year actually stuck with theirs.
The study also revealed that 39 percent find financial resolutions easier to keep than lifestyle ones, such as losing weight, exercising more or quitting smoking. And, interestingly, when asked if they could keep only one resolution—to be more physically fit or more financially fit—53 percent chose the latter.

No big surprise here: The top resolutions were saving more, paying off debt and spending less, followed by developing a long-term plan and making or sticking to a budget.

The Psychology of Resolutions

That all sounds fine and good—if you're earning plenty of money or have the inner resolve of Job. Yet there are good reasons that most resolutions fail.

It's easy to *set* resolutions; the trick is understanding the inner blocks to making change. Sincerely wanting to achieve our goals isn't enough. To get there and stay there, we need to examine the underlying emotions and limiting beliefs that guide our behavior. For example, if we grew up in a household where there was never enough money, we may have acquired a deep-seated belief that we don't deserve wealth, which will undermine our attempts to save. We need to get a handle on the psychological software programs we don't even realize are running and Force Quit.
This could be accomplished on one's own—by noting self-sabotaging habits and areas where you always get stuck or by observing others' pathways to success. But if this is a perennial problem, you might require the help of a therapist or counselor.

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Resolutions that are too grandiose or general are harder to them and make measuring progress tricky. In the spirit of "less is best," here are seven worthy goals for the coming year.

1. Don't t*ry* to save. Too much "trying" can thwart your best efforts. Calculate how much you need to retire (or to buy that cottage in the country). Staying focused on the goal and not the sacrifice is like a financial tailwind. As Yoda told Luke, "Do… or do not. There is no try." And remember: It's a marathon, not a sprint.

2. Determine your current net worth. January is the perfect time to get a handle on what you're actually worth—fiscally speaking, that is. Establishing your net worth is like an annual physical, where your doctor checks all your vitals. Financially, it's the first step to getting a handle on your financial health and seeing where you need to make adjustments in saving and spending.

3. Quit watching the market. A large number of people who (understandably) panicked and pulled out of the market in 2009 after losing 30 to 40 perfect of their investments never made up those losses, whereas those who "let it ride" are actually ahead of where they were pre-recession.

4. Know how much saving is costing you. Um, no, investing isn't always free. In fact, some funds and accounts have fees that can add up to thousands if not hundreds of thousands of dollars over your lifetime. If you don't know the difference between load and no-load funds or have no idea what percentage your broker charges, it's time to do a little research—and possibly re-evaluate.

5. Pay down debt and mortgage principal. Broken record time, but it really is the most important tune of all. Your mortgage is almost certainly your greatest liability, with credit card debt a close second. Not only are you paying a significant amount of money to your lender, but this is money that isn't *earning* you anything. (Plus it's one heavy psychological burden.) But before you pay down too much, talk to your financial adviser about the pros and cons of chipping away at these debts versus growing your retirement fund.

6. Review your life insurance policy. Life has changed, you've changed, and your needs probably have too. When you get married and have (more) children, when they grow up, when a new company offers a generous plan, you need to review your coverage with your broker. You may need more or less, or to need to change from term to permanent, or vice-versa.

7. Keep it real. However psyched you are, don't set too many—or unrealistic—financial resolutions. If you do nothing else, get a clear picture of where you stand, where you want to be and how you're going to get there. That said, do plan to keep a checklist to measure your performance throughout the year. That can spell the difference, next December 31st, between disappointment and a deep sense of satisfaction.