Financial Makeovers for 2009

Stocks Might Not Rebound, But There are Other Money Moves to Make This Year

Column By DAVID McPHERSON

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It's time to put 2008 behind us and focus on what's ahead.

As last year showed, there's much that is way beyond our control when it comes to our financial lives. But there are many things we can control, and that should be our focus in 2009.

Now is a great time to take action on those things that will improve your financial life regardless of what the markets do this year.

Looking for financial advice? Click here to send David your questions, and they might end up as a topic for his next column.

To help you get this year off to a good start, I solicited suggestions from financial planners around the country. Here's some of what they recommended:

Follow the money: "One thing that everyone can do whether they make $40K or $400K is to track their spending," said Buz Livington of Livingston Financial Planning Inc., in Santa Rosa Beach, Fla. "You can't plan for retirement if you don't know how much money you are spending now."

He recommends software programs like Quicken and Microsoft Money to make a tedious process easy.

For the highly motivated, Cheryl Krueger of Growing Fortunes Financial Partners LLC, in Schaumburg, Ill., recommends tracking your spending in detail for one week, down to the quarter given to a child for a gumball machine.

"You'll be surprised at what you're spending without even realizing it. Get your partner in on the act and have a discussion about what you've observed, then see what changes make sense for you."

Reduce debt: In a time of market uncertainty, paying down debt provides a guaranteed rate of return. The interest charges you avoid on a mortgage, an auto loan or a credit card can mean as much to your net worth as comparable rates of return earned on investments.

A particular mutual fund might earn 12 percent this year, it might not. But if you pay down a credit card charging 12 percent, that's guaranteed savings.

"If possible and when possible, pay a bit extra on your mortgage principal every month, or a few times a year as extra cash is available," suggests Katie Weigel of LongPoint Financial Planning LLC in Concord, Mass.

She suggests tackling credit card debt across multiple cards by paying particular attention to the card with the highest interest rate.

"Many people find that if they focus on that one card, making substantial payments on it each month while making the minimums on the other cards, they feel a much bigger sense of accomplishment."

Steve Juetten of Juetten Personal Financial Planning LLC in Bellevue, Wash., recommends that those in credit card debt start 2009 with a specific goal. "For example, get rid of at least one credit card with a balance owed by April 1 and another by July 1. Then track your progress."

Jeff Kostis of JK Financial Planning in Vernon Hill, Ill., agrees that goals should be specific rather than general, and says to include rewards along the way to celebrate successes. "For example, you may want to treat yourself to a Starbucks coffee if you are able to save the $25 every week for four consecutive weeks," he said.

Reduce expenses: To spend less than you make, of course, you need to either make more money, cut expenses or some combination of both.

On the expense reduction side, Regina Galvin Ballinger of Ballinger Financial Services in Needham, Mass., makes two suggestions.

First, review your bills for cable, Internet and telephone services and look to adjust these and compare pricing by competitors to find a less expensive solution. Together, these bills can easily exceed $200 a month, a large chunk out of any family budget.

Second, Ballinger recommends scheduling an energy audit with a local provider "or at least install a programmable thermostat."

Fort Meyers, Fla., financial planner Kathleen Campbell recommends another potential source for trimming household expenses that many of us may not have considered: homeowner's insurance.

"With housing values and construction costs significantly lower, many homeowners may actually be paying for more insurance than necessary," said Campbell, owner of Campbell Financial Partners LLC. "Check your homeowner's insurance policy to determine whether you are paying to insure a higher value than necessary."

Invest more: Given the pain most investors experienced last year, one common reaction is to stop contributing to retirement plans or other automatic investment plans. But that's the wrong response.

Rather, said Herb Montgomery of Montgomery Financial Group LLC in Orleans, Mass., investors should "increase their contributions to their investment accounts in order to take advantage of the current sale prices in the equity markets."

At some point there will be a rebound, and those who've been investing recently will benefit.

Don't forget the charities: Laura Scharr-Bykowsky of Ascend Financial Planning LLC in Columbia, S.C., said it's easy in times like these to cut charitable contributions, but she urges people to draw up a charity budget just as they would spending budget.

"An alternative way of tithing is to budget 10 percent of all the money that you spend for the year, your budget, and earmark it for your favorite charities. People tend to neglect charitable spending when times are tough, but this may help them feel that they are still doing what they can."

Don't do anything that you don't understand: Finally, some sound advice in any economy from Mike Oswalt of Partners Financial Planning, LLC in Clemens, N.C.

"Take your time," Oswalt said. "When it comes to financial decisions, including investing or spending large sums of money, be sure you understand the investment or the true value of the product you are purchasing. None of us know everything there is to know about personal finance, but each of us should make it a goal to learn more."

This work is the opinion of the columnist and in no way reflects the opinion of ABC News.

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