

50 Ways to Improve Your Finances in 2012

Kimberly Palmer

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A guide to mastering your money in the new year

A new year offers a fresh start. Whether you're ready to ramp up your earning power, start saving more money, or manage what you have more effectively, this 50-step guide is designed to help you improve every aspect of your financial life, from overall security to specific saving and spending strategies.

1. Focus on the "why" of your goals instead of the "how." Planning exactly how you will reach a goal, such as saving more money, can actually make it harder to reach that goal, according to research by Julia Belyavsky Bayuk, an assistant professor at the University of Delaware. She found that focusing more on the motivation behind a goal instead of the specifics of how it will be achieved can increase the likelihood of success. That's partly because having a more "abstract" mindset can help people deal with unexpected challenges along the way.

2. Rethink your relationship with money. For those struggling to make better money decisions, life coach Christine Hassler suggests thinking about money as if it's a person. "How's your relationship with George?" she asks, referring to President George Washington's face on the \$1 bill. In her book *20 Something, 20 Everything*, she encourages readers to first examine their history with money. "If they don't excavate what they believe and their sense of worth, they are unable to progress," she explains. That history includes one's financial situation growing up and patterns of spending. The first step to fixing a dysfunctional relationship with money is to acknowledge its existence.

3. Protect your privacy. Whenever someone asks for your Social Security number, question if it's necessary to share it. Never give it to a solicitor on the telephone or in an email, and if you ever notice a suspicious charge on your credit card, follow up with your card company—it could be the first sign of identity theft.

[See also: [7 Deadly Financial Sins](#)]

4. Plan a comeback. A lot of people have struggled over the past few years, but that downswing doesn't have to be permanent. Jude Boudreaux, who now works as a certified financial planner in

New Orleans, turned his life around after running up \$5,000 in credit card debt in college. He did it by ruthlessly cutting out "extras" in his budget so he could focus on his bigger financial goals, including getting out of debt. Today, Boudreaux says his past struggles are an asset, since he's living proof to clients that it is possible to make a complete comeback.

5. Visualize your future self. People who feel connected to their future identities are more likely to delay gratification, according to research from the Columbia Business School and University of Chicago Booth School of Business. The researchers offer a relatively simple way to do this: Take a moment or two to meditate on your future self, and just how similar it is to your current self.

6. Get organized. Financial accounts often come with monstrous amounts of paperwork. You'll probably need to hang on to important documents (some states require taxpayers to keep up to 10 years of filings on hand), but much of your old paperwork belongs in the trash or the shredder if it has valuable information on it, such as bank account numbers. Store your most important documents, such as birth and marriage certificates, in an archival box or a locked metal file cabinet that's separate from your day-to-day files.

7. Create a paperwork system. Keeping all of your paperwork in one place can be step one to a better financial life. Brooke West, a private financial adviser and vice president at SunTrust, suggests a three ring-binder, which she calls her "financial bible." She uses a new one every year to hold all of her paperwork. She has tabs for bank statements, Social Security benefits, estate planning, pension and retirement benefits, investments, and credit reports. For a few paper-heavy categories, such as flex-spending receipts, she has separate files.

8. Live below your means. Danny Kofke, a teacher and father of two, manages to live well on his \$40,000-a-year salary. In his book, *A Simple Book of Financial Wisdom*, he explains that he does it by following a pretty simple strategy: Living below his means. He doesn't buy what he cannot afford, even when he wants to, and avoids debt at all costs.

9. Coordinate with your partner. Not talking about money is one of the biggest money mistakes couples make. Couples considering moving in together or marriage can save themselves a lot of trouble by talking about hot-button topics such as how to share household expenses, credit card debt, and anticipated future expenses. Don't forget to bring up your long-term goals, too, which can make the discussion a little more romantic. Do you want to swim with dolphins in the Bahamas? Backpack around Europe together? Agreeing on common goals makes it easier to save.

10. Pick a better bank. There's no one-size-fits-all when it comes to banks anymore, which means consumers have to do their own research to pick the best fit for them. In general, says Today Show financial editor Jean Chatzky, larger banks offer more ATMs and lower interest rates on savings accounts, while smaller banks might be less convenient but offer lower fees. Meanwhile, online-only banks might be able to offer higher interest rates, but lack the bricks-and-mortar presence. She recommends the comparison tool FindABetterBank.com, which makes it easy to search by ZIP code. Other websites, including Bankrate.com and Google Advisor, also offer free customized searches.

11. Automate savings. Online banking makes this technique easy: Sign up for monthly transfers into a brokerage or savings account. You can also transfer funds directly from your paycheck so you never even see the money, which means you won't miss it. Check in with your human resources department—you might be able to set up an automatic savings account through your paycheck in addition to your automatic retirement savings.

12. Take advantage of online tools. Mint.com lets users upload account information and get immediate insight into where their money is going. It's free and user-friendly, and comes with a smartphone app that lets you track your budget wherever you are.

13. Create stronger passwords. Scam artists prey on those with easy-to-guess passwords. Avoid becoming a victim by never using the same password on multiple sites, avoiding common words or names, and using a long password that only you know, such as a sentence.

14. Bank safely online. With more customers managing their money through online accounts, mistakes that lead to vulnerability are also more common. Don't "friend" strangers online, and beware of sharing any personal information publicly that could be used to guess your passwords. Take care when entering passwords on smartphones, too, because such devices generally lack the anti-virus software that's more common on computers. If you do notice anything suspicious, contact your bank right away.

15. Watch television for free. From the network news to serialized primetime shows to cable programming, the show you want can almost always be found online. In most cases, all the viewer has to do to access a show is watch a short 30-second advertisement before the opening scenes, or a longer two-minute ad where a commercial break would normally be. Not a bad price, considering that most of us watch ads anyway when we tune into our expensive cable channels. Check out Hulu.com, iTunes, and network websites.

16. Travel for free. By taking advantage of credit card reward programs as well as airline mileage, Brad Wilson, 30, earned a free trip to Australia and New Zealand, valued at around \$40,000. "It turns out there are a lot more opportunities than people realize," he says. He suggests actively seeking out deals, layering them on top of each other, and staying organized.

17. Move in with family. The Pew Research Center recently found that there are more multigenerational U.S. households today than at almost any point in modern history, with a total of about 51.4 million Americans living with relatives. That's about 16.7 percent of all Americans, the highest percentage since the 1950s. (During World War II, shared housing was more common, with about 1 in 4 Americans living in a multigenerational household.) The report likens the phenomenon to an "anti-poverty program" that Americans are enacting to insulate themselves from the dark side of the Great Recession.

18. But don't ruin each other's finances. Parents are often pressed for cash, too, especially as they near retirement, which means they have to watch out for their own finances. Budgeting for any support can help, as can exchanging non-financial help, such as shared meals and networking advice.

19. Waste less money on food. Jonathan Bloom, author of *American Wasteland*, estimates that Americans waste at least 160 billion pounds of food each year. To minimize that, he suggests shopping more frequently and buying less on each trip to the store, and maintaining an uncluttered fridge so you don't forget about items that will soon expire.

20. Become a better cook. Sometimes you have to spend money to save money. Nowhere is that truer than in the kitchen, where investing in a few key pieces of hardware can help you cook better, faster, and cheaper. And anything that makes your food taste better and gets it on the table quickly can lessen the temptation to order budget-busting take-out. Consider investing in a slow cooker to make meals even easier.

21. Use less energy. Small changes, like closing doors to unused rooms or turning off the air conditioner during the day, can make a serious dent in utility bills. So can unplugging appliances, turning off lights, and shutting down computers at night. Even televisions can use power when they're turned off, so unplugging them when they're not in use saves energy. A \$30 power strip, called the Smart Strip, automatically cuts power to devices that don't need it when they're off, such as a DVD player, while maintaining power to those that do, such as a cable box.

22. Reduce your utility bills. Making sure your home is properly insulated can save you money on heating and cooling costs. Using a programmable thermostat so that the temperature automatically rises (in the summer) and falls (in the winter) when no one is home during the day can yield annual savings of about 30 percent. While some 25 million households own programmable thermostats, only half actually use them.

23. Forget the Joneses. With Facebook making it easier than ever to compare your own material status to others, it can be easy to always feel one step behind. But it's easy to be unaware of the debt supporting a friend's lifestyle, or their own private financial stresses. Cultivating a sense of gratitude can help ameliorate feelings of jealousy.

24. Take advantage of job benefits. If your employer offers flexible-spending accounts, gym-fee reimbursements, or other perks, be sure to take advantage of them. The human resources department can help connect you with the right paperwork.

25. Plan ahead with big-ticket purchases. Big purchases, such as cars, homes, and vacations, often come with major hidden costs. Homes, for example, can lose value or spring a leak in the roof. Cars depreciate and break down. Waiting to buy until you have the cash reserves to handle those unexpected costs can prevent a lot of financial stress later.

26. Stop receiving email sales alerts from your favorite retailers. Electronic junk mail might not carry the same environmental impact, but it can still convince you to spend money on items you don't need. Unsubscribe to retailer alerts to avoid the temptation.

27. Take advantage of your bank's free tools. Banks are increasingly offering easy ways to track your spending online. If your bank offers a free tool, use it to see where your money is going and where you can cut back.

28. Negotiate, even in this economy. Even if their salary itself is fixed, employees often have room to negotiate on other benefits, such as flexible work hours or vacation, which can result in a more appealing employment package. In the worst-case scenario, the request will be denied, but many employers expect some back-and-forth during the negotiation process.

29. Pick up a few side jobs. Many people don't realize they have valuable skills that others are willing to pay for, such as teaching a second language or even craft skills. To get ideas for how to earn extra money, check out the services section on Craigslist and see what people are advertising—editing, gardening, and event planning. Earning just a few hundred dollars a month can help get you

back on your feet, plus you'll get valuable job experience and the possible start of a successful small business that you can continue to grow.

30. Develop a back-up plan. In today's economy, no job is 100-percent secure. Create a list of steps you would take if you were to lose your job, even though you hope never to have to use it. Having a Plan B can give you peace of mind as well as a practical "to-do" list if you ever face the shock of an unexpected job loss.

31. Save up before quitting your job. Even in this economy, between 1.5 million and 2 million people quit their jobs each month. Storing up enough savings to pay for a year's worth of expenses can make that transition easier. Of course, toxic or depressing work environments don't always allow for that kind of flexibility.

32. Get famous. Boosting your own name recognition can lead to a salary increase in almost any profession, according to public relations experts Maggie and Jay Jessup, authors of *Fame 101*. They suggest choosing a specialty within your field, then gaining notoriety as the go-to expert by taking advantage of social media channels as well as free publicity by being quoted in articles.

33. Invest in your career—even when you're being frugal everywhere else. Investing in a career coach or development course can help you snag a promotion, get "unstuck" from a career rut, or transition into your dream job. The price of one-on-one coaching typically starts at about \$200 an hour, but less-formal advice can come from meeting with more experienced colleagues over lunch or coffee.

34. Embrace DIY projects. From making candles from scratch to growing your own potatoes, crafty projects can save money throughout the year. In their book *The Bust DIY Guide to Life*, Laurie Henzel and Debbie Stoller explain how to sew, grow, and craft your way through dozens of do-it-yourself projects.

35. Reduce your tax load. Have you moved to take a new job? Do you have business expenses? Or child care that allows parents to look for work? If so, you are probably eligible for certain tax deductions. The IRS website, irs.gov, offers detailed guidance on what's allowed—and what's not.

36. Pay off expensive debt. If you're carrying around high-interest credit card debt, paying it off can save you a lot of money in the form of fees and interest. If you already have an emergency savings account and have the funds to pay off the high-interest rate debt, consider doing so.

37. Build a strong credit history. Some people avoid debt and credit cards to such a degree that they fail to build up a strong credit history, which can make it hard to get a loan when they want it, such as a mortgage. Recent college grads with little credit history, for example, can get penalized when they apply for a mortgage or auto loan. Lenders often want to see that you have experience taking on credit and paying your bills on time. As Rod Griffin, public education director for Experian puts it, "You need to demonstrate over time that you handle your debts well."

38. Improve your credit score. The easiest way to do this is by making steady, on-time payments every month and otherwise keeping your accounts in good standing. Get your free credit report once a year at AnnualCreditReport.com to check for any mistakes (and fix them).

39. Choose the best credit card for you. If you pay your balance off each month, you should have a card that gives you rewards points. If you carry debt, just focus on getting the card with the lowest interest rate. Most people have multiple cards that aren't suited to their needs. Pick the one that fits you best and stop using the others. Don't close them, though, because that can hurt your credit score.

40. Check up on your insurance policies. Do you have the auto insurance, renters insurance, and life insurance that you need? According to insurer Allstate, Two in three renters skip insurance altogether, even though most could benefit from the relatively cheap protection. Life insurance is another awkward topic since no one wants to talk about death. But many people are under-insured, which puts their families at risk. Review the insurance that you have and decide whether you have the right amount.

41. Host affordable (and fun) parties. Socializing with friends doesn't have to be expensive. In their new book, *Plan to Party*, professional party planners Elizabeth Mascali and Dawn Sandomeno suggest saving on invitations by emailing them and splurging on a few special touches, such as adding fresh lemons to water and other drinks or berries as a cocktail garnish.

42. Give better gifts. Surveys show that most Americans say they want to spend less and give more meaningful presents. When birthdays or other events come up, think about how you can give an experience, such as an afternoon at a museum or conversation over tea, instead of things.

43. Celebrate friends' milestones without hurting your bank account. Bridesmaids are famous for their self-sacrifice. Not only do they have to wear the dress, but they are often expected to host events in honor of the bride, travel to the wedding and related events, and give the happy couple wedding gifts. The WeddingChannel.com recently reported that it costs more than \$1,600, on

average, to serve as a bridesmaid. You can avoid that by splitting costs with friends by room-sharing at the wedding and giving a more personal gift than one on the registry.

44. Create an estate plan. You don't need to be rich and famous to need an estate plan, although celebrity estate planning mistakes hold a few lessons for all of us. Amy Winehouse left her affairs in remarkable order, despite having a relatively complicated personal life, including an ex-husband. Michael Jackson created some complications for his heirs by choosing his elderly mother as a guardian for his young children.

45. Decide what type of investor you want to be. If you're like most people, you probably want to skip stock-picking and put your money in low-cost index funds. Create a diversified portfolio, with longer-term savings in more aggressive investments (such as an index fund that tracks the S&P 500) and shorter-term savings in safer spots such as money market funds.

46. Run some numbers. Most people fail to calculate exactly how much they're on track to save, or how much they'll need, in retirement. Check out the retirement calculators available through your financial institution (Fidelity, T.D. Ameritrade, Transamerica, and T. Rowe Price have them, among others) or use free calculators from Bankrate.com. Experiment with different rates of returns, inflation rates, tax rates, and lifetime expectancy, since no one can predict those factors with any accuracy.

47. Get a detailed home inspection before buying. Home inspections, it turns out, are much more limited than many first-time buyers realize. "The purpose of a home inspection is to look for material defects of a property—things that are unsafe, not working, or that create a hazard," explains Kurt Salomon, president of the American Society of Home Inspectors and an inspector based in Salt Lake City. Home buyers, however, "think we can see through walls and predict the future," he says. If you have specific concerns, such as pool safety or childproofing, consider working with a specialist before buying.

48. Start saving for college. The cost of college can be daunting, but several new strategies make it a little easier to manage. In addition to 529 college savings accounts, which allow parents to invest after-tax money that then grows tax-free, parents can also opt for prepaid tuition plans, which lock in prices today, as well as employer-sponsored college savings plans.

49. Pass on money lessons. Many parents say they feel more comfortable talking about drugs and sex than money. But children learn a lot from their parents' financial habits, often by example. Parents can turn to websites such as Mymoney.gov, AmericaSaves.org, ING Direct's Planet Orange, and SchwabMoneyWise.com for help.

50. Give a smart allowance. Alisa T. Weinstein, author of *Earn It, Learn It: Teach Your Child the Value of Money, Work, and Time Well Spent*, suggests teaching children to work for their money—in a fun way. She suggests connecting the allowance with tasks related to various careers, such as being a travel agent or chef. Travel-agent tasks include reporting on a destination in an appealing way, creating a brochure, and for older children, calculating exchange rates. "This way, the child is making the connection between effort and money, and the feeling that you worked hard for something. If you can capture that, then you're much more likely to have a child who grows up and can find emotional and financial fulfillment in their careers," says Weinstein.