

Goal Setting for the New Year

The new year symbolizes a fresh, clean start. Make the most of this new beginning by setting goals with a lasting impact on your financial health.

Get on budget

If the ins and outs of your cash flow evade you, budgeting is an important first goal. [Working](#) with a budget helps you live within your means while providing the necessary control to make other financial goals possible. Calculate monthly income and then total monthly expenses such as food, transportation, housing, entertainment and utilities. Subtract expenses from income for a quick financial snapshot.

A cash surplus means you're ready to earmark funds toward other goals. But if the numbers aren't pretty, don't panic. Even minor lifestyle changes like bringing lunch instead of buying it reduce spending to create significant savings. Or increase income by finding supplemental part-time work. If budgeting sounds like a chore, free apps such as Level Money or Mint can help keep you in the game by tracking spending and organizing finances.

Rein in debt

The task of reducing or eliminating debt might feel so insurmountable it's tempting to give up, so you'll need a sound plan. One approach that also reduces total interest paid is to attack your highest interest debt first. Pay as much as you can toward that balance monthly while continuing to make timely smaller payments toward other obligations. Once this first debt is satisfied, focus on the next highest interest balance and continue until all debts are eliminated.

If debt from multiple sources is truly unmanageable, consider [debt consolidation](#). This refinancing option streamlines bills into one monthly payment, often with reduced interest. Financial institutions like Hawaii Federal Credit Union offer a number of debt consolidation choices, including [home equity financing](#) and personal loans.

Build an emergency fund

Anticipating financial blows isn't fun, but it pays to be prepared. Aim to save enough to get you through at least three to six months so you'll continue to live comfortably, even if you face job loss, property damage or medical issues. Since an emergency fund needs to be very accessible, open a separate [savings](#) or money market account for this purpose. Commit to making regular deposits to this account, even if you can only afford a few dollars per week.

Prepare for retirement

The average American spends two decades in [retirement](#), and most people need [70% to 90%](#) or more of their final income during each of these years to live comfortably. Since it's unlikely

Social Security will suffice, it's never too early to start saving for retirement. A sound strategy includes tax-advantaged IRAs and other investments as well as contributing the maximum employer-matched amount to company retirement plans.

Whatever your goals, you'll be more likely to stick to them if they're the type often referred to as "SMART" goals. These goals should be:

- *Specific*: "I'll only buy latte once a week."
- *Measurable*: "I'll put \$50 toward my emergency fund each month."
- *Achievable*: "I can afford to put 3% of my paycheck toward debt reduction."
- *Rewarding*: "I can spend \$30 of the extra money I've saved on a little treat this month."
- *Time-framed*: "I'll purchase an IRA this week."

Setting and sticking to financial goals brings benefits stretching long beyond the new year. As finances stabilize, additional goals such as home ownership, travel and education can be incorporated. Over time, the rewards can include improved cash flow, a true sense of security and the opportunity to affordably enjoy many of the finer things in life.

Roberta Pescow, [NerdWallet](#)

© Copyright 2015 NerdWallet, Inc. All Rights Reserved