

## Be It Resolved!

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Even if you are not among those who normally make New Year’s resolutions, and keep them, this may be a time when you will want to make and keep them. The majority of the resolutions are health and finances, and if truth be told they are very similar in the necessary approach. Neither of them can be accomplished in 30 days so you will need to lay out a plan to accomplish your resolution.

First, is the assessment: The majority of Americans do not know how much they spend or where they spend it. The statistics say the average American family wastes 12% of their income, and have nothing to show for it. If you are in this group, your resolution should be to track your expenses, and determine how and where your money goes. To accomplish this you sit down with your 2010 credit card statements, your bank statements, and your end of year pay stub. This will show what you had coming in and also where it has gone. Divide your expenses into various categories; discretionary expenses such as taxes, mortgage, insurance, car payments, etc. These are the expenses you have to pay every month. Then there are the non-discretionary expenses such as clothing, restaurants, cable, etc. If the largest category of discretionary expense is “Miscellaneous”; then you need to focus on determining that area first. Until you know where you spend your money, you can’t realistically move to the next resolution.

Second is the B word: Budget! Please call it a spending plan. Divide your income into spending categories, first list the fixed expenses. This will lead you to how much you have to spend for your non-discretionary expenses. Use categories that you are comfortable with, and determine, based on history, how much you spend in each category. Once you have set your spending by history, decide how you want to spend the money you have left so you can achieve your savings goals. Many people find that between taxes, and current spending they are living month to month. These two resolutions work hand in hand to give you a good beginning to help you determine your financial future.

If you have already met these two, here are a couple more. Resolve to have 3-6 months in an emergency fund. There are emergencies in life, even for financial planners. Last month we needed a new furnace; they are not cheap. Hopefully your emergency will not be so expensive, but it will probably come at the worst time. An emergency fund is the best defense you can have to achieve your goals.

Once you have the basics completed, resolve to write down your financial goals. You wouldn’t start a long trip without a road map, would you? Financial freedom can be achieved for those who have a plan, or it can be a long and meandering path that leads to a dead end. German philosopher Goethe said “Whatever you can do, or dream you can do, begin it. Boldness has genius, power, and magic in it”. This year resolve to pick one of these resolutions so you can determine your financial future.

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### Ask the CFP®

Q. How will the new tax law effect me?



**Charles Buck CFP®**

A. It is almost 2000 pages, and I haven’t read it either. But here are some highlights. In 2011 your tax rates will not change. Among the other provisions, certain taxes on investments were clarified for next year. For example, lower tax rates on qualified dividends and capital gains were also extended. So far no change.

For 2011 only, the employee portion of the Social Security tax has been reduced from 6.2% to 4.2%.

Another big item, is raising the Federal Estate tax deduction to \$5 million per person from \$1,000,000, with inflation adjustments after 2012.

These are a few of the highlights found in the 2000 pages.