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Improve Your Finances in the Year Ahead Helpful Tips from the Massachusetts Bankers Association

BOSTON, January 9, 2020 – As you start the New Year, take some time to improve your finances, even if you already are a successful saver and investor. The Massachusetts Bankers Association has 10 tips that can make a difference in your financial situation immediately.

- 1. Review Your Current Finances** — The first step toward improving your finances is to know where you stand. Take the time to look at all your assets (e.g., checking, savings, 401(k), etc.), as well as your liabilities, such as car and house payments and credit cards and their outstanding balances. Once you have a good picture of your current finances, you can move on to the next step.
- 2. Make a Budget** — Most consumers don't have a budget. The National Foundation for Credit Counseling (NFCC) surveys American consumers each year. Since 2007, this survey has found that about 2 in 5 Americans use a budget to manage their finances. This number has held steady over time. Budgets don't need to be complex. A budget should merely track all income vs. spending, and spending should be itemized. Set a personal goal to have money left over at the end of each month.
- 3. Stress Test Your Finances** — As part of the budget process, conduct your own stress test for your finances. For example, are you prepared for a medical emergency or job loss? Now is the time to think about what you would do in this kind of scenario. Identify emergency reserves or action steps you can take should the need arise.
- 4. Implement the Island Approach** — The *Island Approach* is an innovative way to manage your finances. This simply means to isolate different financial needs on different financial products. For example, have one credit card for everyday purchases such as gas and food that you pay off each month; and another credit card for emergency expenditures.
- 5. Reduce Your Debt** — At this stage in planning and analysis, you should have reviewed your current financial condition and created a budget. Should you have any debt, a priority goal for the year should be to create a plan for debt reduction. Credit card debt should be at the top of the list, followed by car payment, home mortgage, etc.
- 6. Protect Yourself from Scams** — Everyone needs to be reminded about the dangers of fraud, identify theft and just plain scams. If you get an offer that sounds too good to be true, it is. Protect yourself and your money at all times.
- 7. Start an Emergency Fund** — Ideally, you have money left over at the end of the month. The best thing you can do is to put this into an emergency fund for those unexpected expenses that always seem to happen. Proper expense cushions will have 3 to 6 months worth of expenses readily available.

8. Increase Your Savings Percentage — In addition to accumulating an emergency fund, try to increase your savings, such as an IRA, passbook account or 401(k). A good way to do this is to setup an automatic debit out of your paycheck that goes directly into a savings account or 401(k). Try increasing the percent amount that you are saving by 1 to 2 points each year. If you don't have an automated payroll system through your work, visit your bank to discuss further options with trained staff on site. American consumer confidence has certainly risen in the past decade, but around 3 in 10 Americans still lack confidence in the amount of savings they have built up for retirement. Most financial planners recommend a stretch goal of saving 15-20% of income for retirement. Whatever you are saving – ensure that it meets the maximum amount of any potential employer contributions!

9. Improve Your Credit Score — As part of your financial review, you need to check your credit score. Remember: The higher the score, the lower your interest on loans. Good credit pays. And good credit scores are based on your ability to pay down your debt. Once per year, consumers can request a full credit report from the 3 major bureaus including a review of their credit score.

10. Visit Your Bank — You have made your financial plan and set your goals. The final step – if you haven't already done so throughout the budgeting process - is to renew your relationship with your bank and ask your local banker to go over plans with you. Visit the bank and sit down with one of its financial professionals. They can help solidify your plans as well as help achieve your financial goals. In addition, they can help you plan for those life-changing situations or unexpected expenses.

The Massachusetts Bankers Association represents approximately 140 commercial, savings, and co-operative banks and savings and loan associations with 72,000 employees located in Massachusetts and elsewhere in New England.

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