

What Is Your New Year's Resolution?

Most people have made at least one New Year's Resolution during their lifetime. Has your resolution ever been to get out of debt and three months later no progress has been made? Thinking back, what went wrong?

Why not make reducing debt your families 2009 New Year's Resolution? That's right, get the entire family to work on this endeavor.

Because spending decisions affect the whole family...

- Talk with your family about your situation.
- Let them know you need to change your spending habits, and explain the choices.
- Involve them in deciding spending priorities.
- Listen carefully to each person's concern.

Most spending plans fail due to lack of planning and the absence of a written plan. When devising your family's plan, match your spending to current income. This will avoid use of credit cards to make it to the end of the pay period. Provide for family needs before wants.

A spending plan will also prevent family disagreements and prevent arguments.

Determining your income is the first step. Use take-home amounts and convert weekly or biweekly earning to monthly earnings. Include other employed family members' take-home earnings.

Step 2 lists monthly expenses. Using old financial records, canceled checks, bills, and receipts to figure out how much you spent will help in getting accurate amounts. If you've never tracked your daily spending, be prepared for an eye-opening experience.

It often helps to divide spending into two expense categories. Fixed expenses are the same each month and are difficult to change quickly. Typical fixed expenses are housing, auto loans, utilities, insurance, phone, cable, child care, and installment loans.

Common variable expenses are food, auto upkeep, medical care, household upkeep, clothing, recreation, savings, credit payments, animal expenses, gifts and tobacco and alcohol.

There are other expenses that are not paid monthly. Property taxes, insurance premiums, and holiday gifts come once or twice a year. It's easy to forget about these, and not have the money set aside to pay for them. For these expenses, figure the annual amount, and divide by 12. This shows the monthly amount that you need to set aside to meet your obligations.

Adjusting the amounts you spend is step 3. Select the expense items that are essential to your family's well being. Are there items that can be reduced or eliminated? Which expense items have the highest priority? Use these answers to adjust the amounts to spend for each expense item.

Step 4 is balancing income and expenses. If your expenses are exceeding your income, cut back on spending. This sounds simple and basically it is, but not easy. This step takes a lot of discipline and by keeping your goals in clear view and understanding the outcome, you can succeed.

Other ways to balance income and expenses is to increase income. Can extra money be made through temporary or part-time work? By earning extra money, debt can be reduced quicker.

What savings, investment, or property do you have that could be used or converted to cash to meet expenses? Keep in mind that borrowing and using savings are only temporary solutions.

If too much of your income is going to fixed expenses such as housing or debt payments, there may not be enough money left to cover your other living expenses. You may need to refinance your loans or reduce debts by selling to downsize.

Don't let the 4 easy steps that are listed above make you think it's as simple as 1, 2, and 3. This is one of the hardest jobs that you'll ever take on. Just remember self discipline is rewarding and will provide peace of mind for you and your family.