

A checklist for the New Year



The start of every New Year brings the promise of new beginnings. It's a time to think about setting new goals and resolving to do new things. If one of your resolutions is to find new and better ways to manage your finances and invest your money, then jump-start your efforts with the checklist that follows.

✓ Increase plan contributions

Are you contributing as much as you can afford to your retirement plan? The more money you put into your plan now, the bigger your potential retirement nest egg. Adding as little as five or ten extra dollars per paycheck could make a big difference over the long term.

✓ Make catch-up contributions

Your plan may allow you to make "catch-up" contributions over and above the regular contribution limit if you are age 50 or older. Also, if you are turning age 60 – 63 in 2025, new laws allow you to save even more than before. If possible, take advantage of the opportunity to give your retirement savings a boost.

✓ Perform a risk checkup

Risk tolerance is your willingness to accept the risk that an investment may suffer a loss in exchange for the possibility that it will earn high returns. It's generally true in investing that the higher the level of risk, the greater the expected rate of return. You can measure your tolerance for investment risk by answering these questions: What is my age? How long do I have before I'll need the money? Can I handle investment losses? What impact would a big loss have on my future plans?

✓ Rebalance plan investments

The goal of rebalancing is to keep your overall portfolio in line with your risk tolerance and investment objectives. Your portfolio could become unbalanced if one or more of your investments does particularly well (or falls in value). For example, if your stock investments have been doing well, they might account for a higher percentage of your portfolio than you originally planned when you decided on an asset allocation. And you may be uncomfortable with the increased level of risk.

You can rebalance by transferring money from stock funds or portfolios into other asset classes, such as bonds and cash investments. Or you can invest more of your new contributions in the underrepresented asset classes until you achieve the allocation you want.

✓ Check tax withholding

If you get a large tax refund every year, too much money is being withheld from your paycheck. You are, in essence, providing the government with an interest-free loan. To change your withholding, ask your payroll department for a copy of IRS Form W-4. (Your state may have its own form.) Remember, you should have enough withheld to avoid underpayment penalties.

Create a budget

Keep track of where your money goes by creating a budget. Write down your basic monthly living costs — rent or mortgage payment; utility bills; insurance; college, car, and other loan payments; food; commuting; and so on. Subtract the total you spend on these recurring costs from your monthly net pay. The difference is the amount you have left for discretionary spending and for saving. With a budget in place, you'll be better able to see how much money you can free up for saving.

Take control of debt

It's hard to get ahead when you're spending a lot of your income to pay down debts. Make this the year you make an extra effort to pay down as much of your consumer debt as you can. In general, it's a good idea to pay the highest interest-rate debt first.

Review insurance coverage

Are you prepared for the unexpected? If not, make sure you have enough life and disability insurance coverage to protect your family and your finances should anything happen to you. The National Safety Council says that one in five people will be disabled for one year or longer before reaching age 65.

Working your way through this checklist will require a little time and effort on your part. But you can do it. And the rewards for you — and your finances — will certainly make it a smart use of your time.



If you have questions about your workplace retirement plan, please contact your Human Resources department or your retirement plan provider's customer service center.