

PUT YOUR CREDIT RESOLUTIONS IN MOTION FOR THE NEW YEAR

One way to cut the sting of the post-holiday credit card bills is to set a new agenda when it comes to credit. So consider the following ideas when setting your credit resolutions for 2007:

Set dates for getting your credit reports: Each year, you should check each of your credit reports from annualcreditreport.com directly. You should spread out your requests, making requests quarterly so you can catch errors that might come up at different parts of the year and spot identity theft.

Get your credit score once a year: A credit score is a three-digit number that reflects the credit history detailed by a person's credit report. Go to www.myfico.com to retrieve your credit score once a year from one or all of the three credit bureaus.

Lock up cards; don't cancel them: Do whatever it takes to limit the use of credit cards in your life, but don't cancel credit card accounts once they're paid off. Why? Because your credit score relies on the number of credit lines you have open and in good standing and the length of time they're open. Lenders want to see a long record of credit management, and longtime accounts that you haven't touched in years may actually help your score because it shows you have some restraint. Remember to use them once a year and pay the full amount off immediately, to keep credit cards active.

Pay on time: Nothing damages your credit standing faster than late payments, particularly on big loans like mortgages and car payments. Get current and then resolve to pay in advance of the due date. A suggestion: once you get a bill, immediately look for the due date. Then make a note to yourself on a calendar 5-7 days before the due date to put a check in the mail so you're on time. You can also secure electronic payment options so you can pay closer to the due date or automatically.

Monitor credit problems: If you've filed bankruptcy or had a debt put in collection, it takes years to remove those events from your credit record. Determine the month that data should leave your report and make sure you follow up to make sure that removal happens.

Choreograph your payments: If you have multiple balances you need to eliminate, schedule a payment order right now starting with the highest-rate balances first.

Keep your balances low: If you carry balances over 50 percent of your credit limit on any account, it might lower your credit score. To remedy this, use several cards to spread out the balance – and pay them off – or ask the creditor to raise the limit on the card.

Limit your credit inquiries: The next time you go to a department store, you might be offered a chance to save 10-15 percent on a purchase if you agree to apply for their store card. At the same time, you'll probably continue to get plenty of credit offers in the mail. Shred all direct mail credit solicitations the moment you get them, and as for in-person credit offers, just say no.

Research big loans in advance: Always ask a potential lender which credit bureau they use to make their decisions. Auto, mortgage and other lenders may prefer one credit bureau over another, and if you plan well ahead of your purchase, you should aim to correct errors in your credit report and try to get your credit score as high as you can.

Track your spending: If you've never made a concerted attempt to track your spending – all your spending, not just what you've put on credit cards – do so this year. If you have a computer, buy a financial management program that makes it easy for you to download your banking and investment accounts, any remaining credit accounts and record all your cash expenditures down to the last pack of gum.

Go debit: Banks increasingly offer debit cards that double as ATM cards and carry a credit card brand that allow them to be used in many business establishments. The key is to put a spending limit on the debit card equal to the cash you have in the account linked to it. Responsible use of today's debit cards can wean you off of credit cards entirely.

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AS THE NEW YEAR BEGINS, MAKE SURE YOU'RE NOT MAKING MISTAKES WITH YOUR 401(K)

The temptation of a company 401(k), like any passive investment, is to let it sit for years without a checkup. But it makes sense to set a time each year when you can look over your retirement investments and make sure they're still right for you.

This is particularly important now that the Pension Protection Act of 2006, signed earlier this year, will allow "qualified" fiduciary advisers to deliver personally tailored investment advice in person, by phone or electronically for 401(k)s, IRAs, Archer medical savings accounts, health savings accounts and Coverdell education savings accounts. While that rule remains controversial since it will allow companies who provide the investments to also provide guidance on their selection, it signals an era where more help might be available to 401(k) investors in choosing and realigning their investment choices over time.

In the meantime, though, it's a good idea to make sure you're not making the most common mistakes people make with their 401(k)s:

Failing to join: According to 2006 data from the Profit Sharing/401(k) Council of America, more than 22 percent of eligible workers don't participate in available 401(k) plans. Since many employers match employee contributions, those who fail to sign up are essentially passing up free money.

Failing to save while waiting to join: A significant number of companies don't let you join the 401(k) until you've been working there a year. If that's the case, get in the habit of putting money away for retirement anyway. Either start an individual IRA with the funds you would put in the company plan, or set aside money in a savings account so you can supplement your cash flow so you can put the maximum amount into your 401(k) once you're allowed to join.

Failing to contribute the maximum: Not every employee can afford to contribute the maximum allowed by the plan, but try. In 2007, the maximum 401(k) contribution will be \$15,500, and for those over 50, you can make an additional catch-up contribution of \$5,000.

Letting the company do everything: More companies are automatically enrolling their workers in their 401(k) plans, but some workers fail to take charge afterward. They don't know how much they're allowed to contribute and they don't discuss or review the types of investments they have in relation to their age or retirement plans. It might make sense to connect with a financial planner to review those choices with you.

Poor diversification over time: It's necessary to do a yearly checkup on all your retirement savings – 401(k)s, individual IRAs and other investments fueling your retirement goals to make sure you're on track.

Relying on the 401(k) alone: The dwindling number of traditional pension plans and the growing number of 401(k) plans can't be relied upon as a single source of retirement dollars. You must invest outside your company plans, period.

Over-investing in company stock: The Enron debacle is becoming a distant memory for many, but it's an important event to remember for what it did to thousands of employees who put all their retirement eggs in one basket. Most financial planners advise that you put no more than 15-20 percent of your whole 401(k) portfolio in company stock.

Borrowing from the 401(k): The Employee Benefits Research Institute (EBRI) reports that employees contribute more to plans that let them borrow. Don't be fooled. A 401(k) shouldn't be a house fund or a source of emergency cash. You're taking money out of the account that otherwise would grow tax-deferred, and if you fail to pay back the money you could face income taxes and penalties. Instead, build an outside emergency fund of three to six months of living expenses you can draw on.

Cashing out: Some workers think it's a great idea to treat a 401(k) as a windfall for when they quit a job. Don't do it. You'll pay huge penalties and lose your retirement savings momentum.

"Losing" your old 401(k) accounts: Maybe you've changed jobs several times and never got around to moving older, smaller 401(k) accounts from past employers to current ones or into a self-directed retirement account. Always get advice about 401(k) funds when you leave an employer.

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HAPPY NEW YEAR – PUT THESE DATES ON YOUR FINANCIAL CALENDAR

If you've made a New Year's resolution to keep better track of your finances in 2007, here's a list of important planning and execution tasks from experts at the Financial Planning Association that should be on your financial calendar for the year:

JANUARY:

- *Set your credit report dates:* Each year, you should check each of your credit reports from annualcreditreport.com. It's wise to stagger the dates you check each report because irregularities might surface at different times of the year and you'll catch them faster. You are entitled to one free credit report a year and you can sign up for them online at annualcreditreport.com.
- *Think about college aid:* On Jan. 1, kids and parents can start working on the Free Application for Federal Student Aid (FAFSA) for the upcoming school year (2007/08). To meet deadlines in most states, you should submit your FAFSA no later than March 1, with February 15 being the optimal date.
- *Start your emergency fund:* Experts believe you should have 3-6 months worth of living expenses set aside. Set a fixed amount you'll save each month toward that goal.

FEBRUARY:

- *Start pulling your tax information together:* Your W2s and 1099s should be arriving – get your records ready to start your return. You might also get a ballpark estimate of your tax liability online -- www.finance.cch.com/sohoApplets/Tax1040.asp.

MARCH:

- *Get ready to fund your IRAs:* April 16 will be 2007's tax deadline, and that's the last date to make a tax-deductible contribution to your IRA. Plan to make the biggest affordable contribution you're allowed.

APRIL:

- *Tax deadline:* April 16 is the deadline for federal and state taxes.
- *Education account contribution deadline:* Don't forget that contributions to Coverdell accounts for the previous year are due on tax day.
- *Check your insurance coverage:* Check to see if you can afford a higher deductible on home and auto insurance and consider umbrella liability coverage if you haven't already.

MAY:

- *Talk to your parents:* If you've never discussed estate, health and long-term care planning with your parents, do it now.
- *Do an energy checkup:* Have your furnace and air conditioners checked to make sure they're working properly during the heating and cooling season.

JUNE:

- *Do a mid-year financial checkup:* Take the time to do a review of your tax planning, retirement savings, home, health and life insurance needs and do a mid-year check of your spending.

JULY:

- *Do a beneficiary check:* Is the beneficiary information on all your investments, insurance policies and bank accounts up to date?

- *Check your will:* If you haven't checked your will in 5 years, see if your instructions are current. Make sure your powers of attorney reflect your intentions.

AUGUST:

- *Go over money issues with your college student:* Whether they're freshmen or seniors, take some time to go over financial details with your student.

SEPTEMBER:

- *Order your last credit report:* Get your third and final credit report of the year.

OCTOBER:

- *Be ready for open enrollment:* Many companies set open enrollment for their benefits plans in September and October. Make sure you've done some thinking about your benefit choices for the coming year. PlanforYourHealth.com, an educational Web site from the Financial Planning Association and Aetna, can provide you with helpful hints and resources.
- *Tax extension deadline:* If you had to file for an extension on your federal taxes this year, your final deadline to file is Oct. 17.

NOVEMBER:

- *Total your potential tax losses:* Confer with your tax adviser to see if it makes sense to sell stocks before the end of the year to balance out capital gains in your portfolio or to carry forward losses for future use.
- *Spend out your flexible savings account money:* Check your employer's rules, but you should spend out the amount you put in your flexible spending account by Dec. 31 or the end of the plan year. Schedule any procedures or medical expenses you'll have by then.

DECEMBER:

- *Give:* Make the charitable deductions you want to make for the end of the tax year. Also, remember you can make financial gifts of up to \$12,000 with no penalty.
- *Pay deductible expenses early:* To lessen your tax impact for the current year, pay mortgage interest or property tax installments early if your tax situation would benefit from it.

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