



Smart financial moves with an improving economy

By Jacob Ansel

MANY PUNDITS REPORT THE ECONOMY

is turning around. An index of U.S. consumer confidence jumped to its highest levels in January, affirming that people are willing to spend money on bigger ticket items and that's a good thing. It's important for consumers to spend money on goods that stimulate the economy; however, there are a few other important places to be targeting your dollars as the economy improves.

The best financial plan is to contribute more dollars to a retirement account. Many taxpayers have been hesitant to contribute more than a few bucks here and there, but if your fortunes have changed this is a great time to max out retirement accounts because of the significant tax savings to be had.

Student loans are a hot topic. The government provides many programs that allow for refinance, consolidation, and counseling, all dependent on finances and budget. I recommend you review all student loan portfolios because there are significant savings in consolidating loans and requesting interest rates be reevaluated and reduced. The average payment on a loan after review and refinance goes down \$200 a month. Take that \$200 and sock it away in a retirement plan.

Investment accounts are a great way to have an automatic savings plan and are much easier to open than you may imagine. Search online for a no-fee investment account like E*Trade or HSBC. For just a few clicks you can open an

As the market corrects, you should also be headed down the right financial path. This means spending less than you earn, getting out of debt, and saving an emergency fund for tough times. After that you can begin building wealth.

investment account with no fees and no minimum balance. Once opened, start with an automatic transfer from your paycheck or personal account to the investment account. If you're not sure what to choose or how to go about picking an investment, choose from a list of mutual funds or bond accounts that have a good name, show profitability, and have an excellent track record.

Starting a small home-based business or internet site is a good way to take advantage of the upswing in the economy. The unemployment rate stills hovers at double digits and you don't know when the next downsizing can take effect. It's a great time to start a new side business when people are willing and able to spend money on goods and services. And that's now. This could mean getting some training or learning a new skill or trade, but it could be a good investment and a nice side diversion as the economy continues to hiccup its way to better health.

How much debt do you have? I know that's a personal question, but is it more or less than the average family in the U.S.? The average credit card debt per household is \$15,788. Holding no debt

may be unrealistic, but the best way to improve your wealth is to pay off all lingering debt. Any bonus or extra cash should be used immediately to wipe out any debt. The first debts that should be paid are credit cards, store cards, home equity credit lines, and any other high interest debt. Hold off on buying any expensive items until your credit card statement shows a zero balance. Best advice ever.

A monthly financial checkup is a great way to keep an eye on your financial picture. If you record your finances on a program like Quicken, you can easily track income, spending, assets, and liabilities. Run a report at the end of each month and review where your money has gone and how much income you brought in. Check bank balances and credit card balances regularly. Doing a monthly review of your finances not only provides a clear picture of your portfolio, but helps reduce spending. Personal responsibility in spending, borrowing, and saving money could have helped to prevent the current economic crisis. If you have the money to spend then, sure, go out and stimulate the economy. But it's important to take control of your finances first. If you're thinking of putting any purchases on a credit card or you're still carrying debt, avoid those purchases until you correct your personal situation.

Consumer confidence is critical to any economic increase and it's good that the start of 2011 shows promise for many. But we don't want to be overly confident about what we have — or, more importantly, what we don't have — because that's what got us into this financial mess in the first place. □

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