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Get a Fresh Start on Your Finances in 2021



There's no doubt about it — last year was tumultuous. The coronavirus pandemic, a contentious election, and widespread protests were just some of the events that impacted our nation in 2020. Fortunately, the arrival of new vaccines has brought hope for a brighter 2021. If you are looking forward to a fresh start this year, why not begin with your personal finances? Here are some tips to help you get started.

Examine your budget

One way to start the year off right financially is to examine your budget. First, identify your income and expenses. Next, add each of them up and compare the two totals to make sure you are spending less than you earn. Hopefully you've been able to stay the course during the pandemic and your budget is still on track. If you find that your expenses outweigh your income, you'll need to make some adjustments. For example, if you've experienced a loss or reduction in income during the pandemic, you may need to cut back on certain discretionary spending (e.g., online shopping, take-out) or look for ways to lower your fixed costs, which may require more significant changes.

Once you have a solid budget in place, it's important to stick with it. And while straying from your budget from time to time is normal, there are some ways to help make working within your budget a bit easier:

- Make budgeting a part of your daily routine
- Build occasional rewards into your budget
- Evaluate your budget on a regular basis and make changes when necessary
- Use budgeting software/apps to help analyze saving and spending patterns

Rethink your financial goals

While the pandemic may have sidelined or stalled some of your financial goals, now is a good time to regain your focus. Take a look at the financial goals you set for yourself last year. Perhaps you wanted to increase your emergency fund or save money for a down payment on a home. Maybe you wanted to invest more money towards your retirement. Were you able to accomplish your goals despite any setbacks brought about by the pandemic? Do you have any new goals you would like to achieve in 2021? Finally, if your personal or financial circumstances changed, will you need to reprioritize your goals?

Make sure your investment portfolio is still on target

Despite the pandemic, the U.S. stock market ended 2020 at an all-time high. But that doesn't necessarily mean your investment portfolio is still targeting your financial goals. When evaluating your investment portfolio, you'll want to ask yourself the following questions:

- Do I still have the same time horizon for investing as I did last year or prior to the pandemic?
- Has my tolerance for risk changed?
- Do I currently have an increased need for liquidity?
- Does any investment now represent too large (or too small) a part of my portfolio?

Pay down your debt

Reducing debt is part of any healthy financial plan. Whether you have student loan debt, an auto loan, and/or credit card balances, you'll want to try to pay it down as quickly as possible. Start by tracking all of

your balances and being mindful of interest rates and hidden fees. Next, optimize your repayments by paying off any high-interest debt first and/or taking advantage of debt consolidation/refinancing programs.

If the financial impact of the pandemic has made it difficult for you to pay down your debt, you may want to contact your lenders to see if they offer financial assistance. Many lenders may be willing to work with you by waiving interest and certain fees or allowing you to delay, adjust, or even skip some payments.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

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