

Make useful, doable financial goals for new year

by Lynn O'Shaughnessy

Instead of preaching to people about what kind of financial resolutions they should be embracing for the New Year, I decided to ask people to share their own financial goals.

I began my research at the dog park, where I was headed with my golden retriever. While there, I became so engrossed in a conversation with a woman with a handsome Siberian husky - her admirable goal for 2007 was to reduce her debt by 20 percent - that I didn't notice when a bulldog decided to mark what he apparently considered his territory. The dog had enough time to urinate on my legs.

If you need evidence that I take New Year's resolutions seriously, there's a bulldog wearing a spiked collar who can vouch for my intensity.

This incident, as humiliating as it was, didn't deter me from continuing to pry financial resolutions from friends, relatives and strangers. Setting yearly financial goals, after all, is important and following through is critical.

While people humored me and shared their financial goals, it struck me that most were worthwhile and imminently doable. Here are some resolutions I collected:

- At the gym. I climb the StairMaster almost every morning and when I'm lucky I'm joined by a friend who bounds up the moving stairs twice as fast as me. (My 2007 resolution is to pick up my pace.)

Her goal is to get her husband to stop treating their finances as his personal fiefdom. He's a great guy, but he routinely fails to share what's happening with their financial picture. And it's been like this for more than 25 years. In 2006, for instance, he sold their stocks and never bothered to tell her.

Her experience reminds me of this phenomenon: When guys look in a mirror, they usually believe their physiques look just fine. Even though the Y chromosome doesn't make men financial wizards, I suspect that many men possess the same attitude about their investments. When they review their account statements, they tend to think everything is just fine.

And that's just one reason women need to get involved. Wives who don't know what their husbands are up to need to find out and also educate themselves on investing basics.

- At the hair salon. Securing an appointment with a great hairstylist during the Christmas season is only slightly less difficult than buying a Nintendo Wii. But when my daughter broke her wrist playing in a high school soccer tournament - and missed her appointment - my hairstylist/friend felt sorry for her and squeezed her in later.

My friend's goal is to make four extra mortgage payments in 2007. She is a single mom and would love to have her condo paid off by the time she retires. Some people would rather pump extra cash into their retirement accounts, while others feel more secure having the house paid off earlier.

I don't think there is a right or wrong answer to this one, but those who toss a little extra cash into their monthly payment can dramatically reduce their mortgage servitude. Suppose you are paying \$1,750 a month for 30 years on a \$300,000 fixed loan with an interest rate of 5.75 percent. If you round up to \$1,800 each month - an extra \$50 - you'd slash 25 months off your mortgage.

- On vacation. Spending Christmas in St. Louis was bittersweet because my dad had decided this year to sell the family home. He no longer wants to cook for himself or continue asking his grandsons to mow the lawn or shovel the snow, so he's moving into a beautiful retirement facility nearby.

My dad's financial goal is a timely one: He wants to know what he should do with the cash he'll pocket from the sale of his house. He posed the question to the two kids in the family who he believes should know the answer: my youngest brother, John O'Shaughnessy, the chief financial officer for an order of nuns, and me.

We suggested that he shouldn't just look at this chunk of money, but take it as an opportunity to examine his entire portfolio.

Because he has no interest in paying a financial adviser to manage his portfolio on an ongoing basis - he figures he's got two kids who can help when needed - we urged him to seek professional advice to at least get him started on the right path. Vanguard Group and T. Rowe Price, we told him, offer financial planning service for a very modest fee or for free that will provide him with what he needs - a blueprint for dividing up his money among appropriate investments for a retiree and a wise withdrawal strategy.

I can't end this column without asking one more question: What is your financial goal for the year?

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