Top 6 financial New Year's resolutions and how to fulfill them

By Michele Lerner | December 30, 2015

Financial New Year's resolutions are a dime a dozen. People often vow to get their house in order, save more and spend less.

Going from those vague resolutions to a rewarding sense of accomplishment can be challenging, but if you can identify specific goals, financial advisers can match them with the concrete financial New Year's resolutions you need to make.

"Every financial goal you set requires you to start with a budget," says Germi Cloud, a financial adviser with Cloud Financial in Huntsville, Alabama. "You have to know what you have coming in and, as (financial guru) Dave Ramsey says, 'assign a name to every dollar' so you know where it's going."

Cloud says many people struggle with spending too much and not knowing what happens to their cash. So before you can dig deeper into planning for particular life events, you'll need to make at least a rudimentary income and expense sheet so you know where to begin building your financial future.

If your resolution is to buy a house …

Resolution 1: If this is your year to buy a house, you should resolve to check your credit, visit a lender and start a savings plan.

Start sooner rather than later, says Ronald Guevarra, CEO of First Financial Group USA in Troy, Michigan, since mortgage rates are likely to rise sometime in 2016.

"Check your credit to verify that nothing unforeseen has shown up on your credit report," Guevarra says.

Your credit has a dramatic impact on your interest rate and your ability to qualify for a loan, so it's essential to work on improving your credit before you apply for a mortgage loan. You can check your credit score for free at myBankrate.

"Getting preapproved for a mortgage is a 1st step," says Michael Milarski, a partner with Signature Financial Planning in Pittsburgh. "This will give you a target price range for your house search."

Milarski recommends saving as much as you can for a down payment -- 20% if possible -- to avoid paying private mortgage insurance. Still, there are loan programs with down payments as low as 3% available from mortgage finance companies Fannie Mae and Freddie Mac.

Cloud says: "Consider what housing payment you think would be affordable and start looking at neighborhoods and school districts to see what kind of home you can find for that price."

If your resolution is to sell a house …

Resolution 2: If this is your year to sell your house, you should resolve to prep your house, connect with a Realtor and educate yourself about local market conditions.

Guevarra says that it's important to evaluate whether this is the right time to sell.

"Home prices have steadily rebounded from 2012, but in some areas, they are still 20% off from their peak in 2005 and 2006," he says. "Work with a Realtor who knows how to price your home according to the market you're in. Desirable homes that are priced right often get multiple offers very quickly, but buyers get wary when a home has been listed for too long."

Milarski recommends putting together -- with the help of a Realtor -- a prioritized list of cosmetic improvements that your home may need and a potential budget for each project.

Cloud says: "The most important thing you can do is to get it ready to appeal to buyers. Even if nothing major is wrong, you need to put time into your curb appeal and get it aesthetically in the best possible condition."

If your resolution is to get out of debt …

Resolution 3: If this is your year to get out of debt, you should resolve to establish a budget and become disciplined about debt repayment.

"It's all about putting together a budget to increase your savings and reduce your debt," Guevarra says. "Look at your fixed expenses, but pay closer attention to your discretionary expenses. Is there anything you can do without?"

Guevarra recommends paying off the debts with the highest interest rates first and working your way down to low-interest debts. He suggests using 0% credit card balance transfers to pay off the principal faster.

Milarski says: "While you should pay off high-interest debt aggressively, be careful not to sacrifice your existing liquid cash reserve or your retirement savings (such as your 401(k) or other retirement plan withholding) to pay down your debt.

"Continue to contribute to your retirement portfolio at all times and maintain your liquid cash reserve in case an unforeseen emergency expense occurs," he says.

Cloud suggests cutting up your credit cards and setting a spending allowance to help you stick to your budget. He says the snowball approach, tackling 1 debt at a time and increasing your payments as each is paid, works best.

If your resolution is retirement planning …

Resolution 4: If this is your year to plan your retirement, you should resolve to consult a financial adviser, establish a target date for retirement and estimate your retirement budget.

"Schedule a meeting with your financial adviser to specifically focus on your retirement," says Signature Financial's Milarski. "Obtain any information you can regarding your potential retirement income sources such as your Social Security benefits, a pension and a withdrawal plan from your 401(k)/IRA/retirement portfolio."

Cloud Financial's Cloud says that having a rough idea of when you plan to retire and an idea of your preferred lifestyle can help you develop your strategy.

"You and your financial adviser will have to crunch the numbers to look at estimated expenses and income, and then evaluate your assets to see if they'll generate the income you need," Cloud says.

"You'll have to look at the shortfall and calculate how much more you'll need to save or whether you'll have to work in retirement, or whether you need to lower your expectations for your retirement lifestyle," he says.

Guevarra says your 1st priority should be to contribute enough to your employer's retirement plan to earn any employer match.

"Tax-deferred growth compounded over many years can help to grow your retirement account faster," Guevarra says. "How close are you to retirement? Make sure your risk tolerance and time horizon are aligned accordingly."

If your resolution is to have a baby …

Resolution 5: If this is your year to have a baby, you should resolve to update your household budget, check on health insurance benefits, create estate-planning documents and buy life insurance.

"Update your household budget to include any future child care expenses and other new expenses you may have as a result of your upcoming arrival, such as a new car or furniture," Milarski says.

Cloud recommends trying to eliminate as much debt as possible before the baby arrives.

"Often one parent won't go back to work right away, so your income could be reduced at least temporarily," Cloud says. "Look into the cost of child care because unless you have a high-enough paying job, you may find that it's too expensive."

Parents-to-be should look into their employers' maternity and paternity leave and health insurance coverage, he says.

Milarski advises you alter your existing estate-planning documents -- or create them, if you haven't already -- and your life insurance portfolio to ensure the child's care, should something unforeseen occur.

"You'll also want to consider updating the beneficiary designations on all existing retirement accounts and life insurance policies," he says.

Cloud recommends purchasing life insurance to cover lost income if something happens to 1 or both parents and to cover some future college expenses.

If your resolution is to plan for college …

Resolution 6: If this is your year to plan for college costs, you should resolve to invest in a college savings account and look into financial aid options.

If you have a young child, Cloud recommends establishing a 529 college savings plan.

Milarski suggests contacting a financial adviser for help in deciding which investment vehicle is right for you, since tax benefits and rules vary from one plan to another.

According to Guevarra, earnings in a 529 plan grow free of federal taxes and will not be taxed when the money is withdrawn to pay college expenses.

"Many states offer full or partial tax deductions or credits for plan contributions," Guevarra says. "Another benefit is that anyone can invest in a 529 plan, not just the parents. Also, the investor stays in control of the account, not the beneficiary, and the beneficiary can also be changed from one potential college student to another."

If your child is already in high school, Milarski recommends researching colleges and the cost of attendance.

If your child is starting college in 2016, Milarski recommends filling out the Free Application for Federal Student Aid, or FAFSA, as soon as possible and working with college financial aid offices to identify potential scholarships and grant assistance.