

## ***Your Financial Health***

With a new year upon us, now is a great time to do a financial physical. You might think it is going to be as painful as a trip to the dentist, but it's really not bad. It is, however, just as important.

A great place to start is to write down how much money you spend on a monthly basis. Take inventory of all income earned and gather all your records and statements from the past year. This process is easiest now because every time you check the mail, another year end statement is probably waiting for you. These records should include at the minimum your W2's, investment statements, mortgage statements, and insurance policies. Get a copy of your credit report. While you are at it, find your will.

When you review your monthly expenses, make sure you earn more income than you spend. If this is not the case, you must cut the spending, the junk food of sorts. The worst thing for your financial health is to go deeper in debt every month, eventually you must face reality. In this case, reality is not just a cavity, its bankruptcy.

Tax information is especially useful. You will see exactly how much money you earned for the year to be realistic in your monthly budget. Also, if you qualify for an IRA, you still have time for a 2006 tax year contribution. Find out if you qualify for an IRA at [www.irs.gov](http://www.irs.gov), Publication 590.

Investment statements include savings and brokerage statements. In your savings account, your balance must have enough to cover at least 3 to 6 months of expenses for emergencies. Too many people rely on credit cards to fix the broken water heater leaving the rest of their financial health underwater.

Do a reality check with your investment statements. If you have 10 years until your planned retirement; however you only have \$100 in the bank, now is a good time to either win the lottery or adjust your plan. I would not want to be the one betting on the lottery. The significant rise in housing prices recently led many people to rely on the value of their house to provide them with cash for retirement. Unfortunately, they are finding this is not a good strategy, and now face working longer.

On your mortgage statements, refer to the interest rate and type of mortgage. If you are a homeowner with creative financing such as an Adjustable Rate Mortgage, ARM, think about refinancing. Interest rates are still low and if you let the ARM adjust, you will be surprised. Your payment will go up significantly.

Your life and health insurance policies should have enough coverage for all the people in your family. Homeowner's policies should reflect any increase in the value of your home to make sure you are fully covered. People often don't

realize the recent rise in real estate values has affected them directly. Montgomery County residents can look up their property appraisal at **[www.mcad-tx.org](http://www.mcad-tx.org)**. If your homeowner's insurance policy value is around 80% of what the appraisal district values your home, call your insurance agent to discuss options. Otherwise you might be surprised to know it is possible you are not fully covered in the event of a loss.

Make sure you have updated wills for everyone in the family. The last time legendary singer James Brown updated his will was the year 2000. Unfortunately, for his widow, when he died, his will was not up to date and his wife was locked out of her own home. Now, not only does she go to court, but incur all the legal expenses in order to get what is rightfully hers. Don't let this happen to you, take the time to look at your will and make sure it is current.

Hopefully you've found that you only have some minor changes to make, kind of like flossing. If you think you have a root canal, make changes to your situation now to avoid the dentures in the future. Your reward for going through this exercise is all your important financial documents are in one place. Put all of these in a safe place, these are important tools to maintain a financially fit lifestyle.

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