This time of year many of us are hard at work on our New Year’s Resolutions. Maybe the resolutions include changing bad habits, beginning good ones, or simply "getting in shape". While the latter is often about personal health and improving our waistline, don't forget about improving your financial health as well.

Here are some potential resolutions to consider if you still have room on your list:

**Get out of debt and stay that way**

If you’re like most Americans, you have some debts lingering out there. There are "good" debts and "bad" debts. About a third of Americans have outstanding credit card debt with high interest expenses that are a dead weight on their longer-term financial plans.

Even though interest rates are still very low on mortgages and auto loans, credit card rates are moving up. The national average this week is just over 15%. This is more than 200% higher than the average expected return on a diversified portfolio of stocks and bonds. At these percentages, maintaining expensive debt has a suffocating effect on long-term saving.

This year resolve to reduce or eliminate this "bad" debt. Think strategically. Pick your highest interest rate credit card and pay that off first. Start by setting up automatic or online payments to make things easier. Skim as much cash flow as possible from your weekly budget. Don't buy that extra coffee, those shoes, that gadget, etc, as they will end up being much more expensive over time. Instead, apply that money to your credit card balance. Sounds fun, right? Get some instant gratification from saving instead of spending by making multiple payments each month. You'll come out well ahead in the end.

If you can do this diligently, your payments will start a snowball effect, as the interest cost goes down as you pay down principal. It may seem painful but eventually you'll save money by lowering, and ultimately eliminating, your interest expenses.
And if you’re lucky enough to not have any debts, congratulations! Just make sure to stay that way this year. Only add debt if the total interest cost over the life of the loan will be marginal.

Strive to fully fund your retirement accounts

Traditional IRA, Roth IRA, and 401(k) contribution limits are the same in 2017 as they have been for several years:

IRAs - $5,500 maximum plus a $1,000 catch-up for those 50 and over this year.

401(k) - $18,000 plus a $6,000 catch-up.

What's increased slightly over 2016?

Employer-sponsored plans (such as 401(k) and pension plans) saw their annual limits increase for 2017 to a $54,000 maximum contribution between employer and employee.

Also, so-called “phase-outs” for determining how much of an IRA contribution could be deducted, and how much could be contributed to a Roth IRA, for example, have gone up by about $1,000 per person. If you've been phased-out from contributing in the past, it might be a little easier to contribute in 2017.

Talk with a loved-one about money

Money can be such a loaded topic so it's understandable that people frequently fail at having constructive discussions about it. Couples often hide financial details from their spouses. Parents can get preachy about money and sometimes send mixed messages to their children.
And adult children can wait far too long to discuss money with their aging parents.

This year why not resolve to have straightforward and honest conversations about money with someone you love. For couples, talk about goals and what you want for the future. Then talk about how you'll reasonably try to get there. For parents, take some time to teach your children about money and don't be afraid to help them learn from your mistakes. For adult children, the best time to talk about money with your aging parents was yesterday, so try not to delay until tomorrow. Discuss their current financial situation, estate plans and be proactive.

Nobody said these conversations should be easy, but they are important and impactful.

Consider gifting some or all your RMDs to charity

If you are 70 ½ or older in 2017 and considering gifting money to charity, remember that you can gift some or all your Required Minimum Distribution (or more, up to $100,000) directly to charity. There are important steps that need to be followed, but making gifts from your retirement account is straightforward. Start thinking about it now so you can make gifts throughout the year, since you cannot recharacterize RMDs already taken.

Why would you want to do this? If you're charitably inclined and don't need some or all of your RMD to live on, you can gift it directly to charity and not pay taxes on the dollar amount of the gift.

For example, say your RMD for 2017 is $5,000 and you normally make a $2,000 gift to ABC Charity during the year. While the $5,000 distribution from your retirement account would be 100% taxable as ordinary income, if you gifted $2,000 you would only owe tax on $3,000, not the full $5,000.

Gifting some or all of your RMD typically saves you on taxes over taking a charitable deduction on a more typical "cash" donation. It's also a handy way to give money to charity and spend down your retirement account at the same time.
Have questions? Ask me. I can help.