



5 Tips for a Financially Strong 2022

The start of a new year is a great time for introspection and evaluating the areas of your life you want to improve. When setting New Year's resolutions, individuals often think about their career or physical health, but financial wellness is just as important. It's no surprise then that January is Financial Wellness Month.

Financial wellness is a personal journey toward a healthy relationship with money, including setting and striving for financial goals and feeling confident about financial habits. Here are 5 key tips for achieving financial wellness.

Tip 1: Revisit your budget

A budget represents a system of checks and balances that helps to ensure that your income covers your basic expenses and allocates funds toward your financial goals. At the beginning of the year, revisit your budget to determine if you need to make any adjustments. For example, has the cost of living risen? This will require you to devote more of your monthly budget to necessary expenses like utilities and groceries. Did you get a raise or bonus in the new year? This could allow you to increase the amount you can save for retirement.

Tip 2: Tackle debt

If you carry any debt, such as credit card debt, a mortgage, or a personal loan, you're not alone — the average American owes nearly \$92,000. While tackling your own debt can be daunting, paying off any outstanding balances can lead to better overall financial wellness. By managing

less debt, or even living debt-free, this can help to free up cash to devote to savings and other goals.

That said, the order in which you pay off your debt matters. Target high-interest credit card debt first. Carrying a balance from month to month and only making minimum payments can lead you into increasing cycles of debt. As you pay off each card, consider using the money you had been paying in interest on the previous debt to help you pay down your next balance faster.

Tip 3: Establish an emergency fund

The COVID-19 pandemic has shown that life can be unpredictable. Save the equivalent of three to six months' worth of expenses to make sure that if the unimaginable happens — such as a job loss, injury, or another pandemic — you'll be able to cover basic living expenses while you get back on your feet. Consider keeping your emergency fund in a designated bank account so you don't accidentally tap into it to pay for trips or other big purchases.

Tip 4: Make the most of tax-advantaged savings

Tax-advantaged retirement accounts can help supercharge your ability to save for retirement. If your employer offers a 401(k) plan, you can contribute up to \$20,500 per year (up from \$19,500 in 2021) to your plan. People aged 50 and over can contribute an extra \$6,500 for a total of \$27,000. Contributions grow tax-free, and you pay no tax until you make withdrawals after age 59 ½. Aim to max out your account, or if your employer offers 401(k) matching funds, be sure to save at least enough to meet the match.

If your employer doesn't offer a 401(k), or if you wish to build additional tax-advantaged savings, consider opening a traditional or Roth IRA, to which you can contribute \$6,000 annually, with an extra \$1,000 in catch-up contributions for those over age 50.

Tip 5: Improve your money mindset

Reflect on any harmful or counterproductive money habits you may have developed over the years. For example, do you tend to spend more money when you're stressed? Are you overly vigilant with money, preventing yourself from spending on even small things that would make you happy? Do you tend to panic during market volatility, selling stocks during downturns, locking in losses, and missing out on rebounds? Do you discount your value on the job, preventing you from asking for a raise? Work to identify patterns like these that may be holding you back.

This January, take care of yourself physically, emotionally, and financially. As with all personal growth, simply taking the first steps toward your financial wellness — even if they're small — can pay off.

SOURCES

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