Six New Year's Financial Resolutions For 2012

Whilst business owners need to continually plan and monitor the financial performance of their business, they also need to review their personal finances.

Making and sticking to a few simple financial resolutions will start the new year on the right foot and help to save money and increase wealth.

Six tips to improve financial health in 2011 are:

1. Make a budget

It may seem a daunting task, but having a well-planned budget for the year can be the key to good financial health. Those with a budget, no matter how basic, will have a more disciplined approach than those who do not and are more likely to avoid waste.

The start of the year is an ideal time to work out where your money goes and where savings are possible. It will also help you to plan holidays or other activities for the year ahead.

2. Review your portfolio

It's a good idea to regularly review the performance of assets including those that super funds invest in and any personal portfolio.

Now may be a good time to change the balance of portfolios particularly in light of the ongoing volatility in the stock market.

3. Planning and monitoring super contributions

Individuals should be planning to maximise the annual concessional (tax deductible) and non-concessional (undeducted or after-tax) contributions to superannuation for the year ending 30 June 2011.

In addition to planning to maximise super contributions, individuals should also be reviewing and monitoring superannuation contributions made personally or made by their employer (e.g. as salary sacrifice) on an on-going basis to ensure that they do not exceed the relevant contributions cap. Excess contributions are a major focal point of ATO compliance. Note that employer super guarantee contributions are included in the concessional contributions cap.

If a person has over-contributed and is issued with an excess contributions assessment, it is very difficult to have the assessment overturned, even where the excess contribution was unintentional or caused by mistake.

For the year ended 30 June 2011, the maximum ("capped") amount that can be contributed to superannuation for a person is summarised in the table below.

Age	Concessional (Deductible) $	Non-concessional (Undeducted) $	Total $
Under 50	25,000	*150,000	175,000
50 to 64	50,000	*150,000	200,000
65 to 74	50,000	150,000	200,000
75 & Over	Nil	Nil	Nil

* $450,000 may be contributed over a rolling three year period for persons aged under 65 on 1 July 2010.

4. Make a will

With Australians having more savings in superannuation and owning other assets, an up-to-date Will is increasingly important. As well, a Will should be updated when there is a change in personal circumstances (e.g. the birth of a child or entering into a new relationship)..

5. Review debt

Consider whether personal debt is "good" or "bad" debt and if bad, take steps to eliminate it. Bad debt is any debt that continually finances lifestyle or consumables and is not repaid promptly, particularly if the interest rate is in double figures such as for credit cards.

Good debt is used to produce income or to accumulate investment assets quicker. Usually such debt has the added benefit of the interest being tax deductible.

A good New Year's resolution is to get rid of bad credit card debt, ideally by budgeting to repay it as soon as possible.

Avoid adding short-term debt incurred by spending on consumables to a long-term mortgage. Redraws on your mortgage should not be used as a solution to over-spending. Even with good debt, it's still important to be careful of taking on too much, particularly in the present climate of rising interest rates.

6. Revisit personal insurance

Make sure you have appropriate life insurance, income protection insurance, and trauma or disability insurance in order to protect your loved ones if anything happens. It is worthwhile reviewing your insurance arrangements every few years to take account of changed circumstances.

It is usually more tax effective to have the life insurance paid by your superannuation fund.