The Light

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10 Financial Resolutions for a New Year

By Tim Rowsey, CPA, Investment Advisor Rep.

As a new year begins, many people will start the year by making some kind of New Year's resolution. Many will be related to health issues such as eating better, exercising more, or going on a diet. Unfortunately, most of these resolutions will fall by the wayside within a few short weeks or months. In the same way that resolutions can help your physical health, a new year is a great time to make some financial resolutions to improve your financial quality of life. Here are ten resolutions for you to consider. Following these can make a huge impact on your financial health.

1. **Control your debt.** We live in a world where credit is all too easy to obtain. Properly used, credit can be a powerful tool. Most people would never own a home or a vehicle without the help of a loan. However, the dark side of debt is the dramatic increase of student loan debt and high interest credit card debt. Today the average U.S. household (excluding households that do not have the type of debt listed) owes these amounts: mortgage debt of $172,806, student loan debt of $49,042, auto loan debt of $28,535 and credit card debt of $16,061. If you have any high-interest debt, make paying it off in 2017 a priority.
2. **Get the match and work toward the max on your company 401(k).** A recent study showed that many American workers do not put enough money into their 401 (k) plan to get the full company match. Billions of dollars of "free" money are given up by these workers who do not put their own money into the plan and therefore miss out on employer match money. At minimum, all eligible workers should fund their plan to obtain that match. The next step would be to work toward the maximum amount that an employee is allowed to defer into the plan. For workers under 50 this limit is $18,000 for 2017 and for those 50 or over the limit is $24,000. Each year as you get a raise, consider increasing your contribution until you max out your available contribution. Many people start out their working career with a 3% contribution and never

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New Limits for 2017

By Tim Rowsey, CPA Investment Advisor Rep.

Each year the IRS releases updated information for the coming year. For 2017 there were almost no changes to the contribution limits compared to 2016. 401(k) limits and SIMPLE limits plus the associated catch up deferrals all remained the same for 2017. IRA contribution limits and catch-up contributions also remained the same. In addition the annual gift exclusion remains at $14,000. The federal estate tax exemption does increase to $5.49 million in 2017. This is the amount an individual can leave to heirs without having to pay federal estate tax. The IRA allowable mileage rate for 2017 decreased a half of one cent to $0.535 for the new year. The chart below shows some of the limits that might be helpful for your planning purposes including limits on contributions to IRA's and 401(k) plans, annual gifting amounts and mileage rates. ■

Limitation	**2016**	**2017**
IRA contribution limit	$5,500	$5,500
IRA catch-up contribution (age 50 and over)	$1,000	$1,000
401(k) elective deferrals	$18,000	$18,000
401(k) catch-up deferrals (age 50 and over)	$6,000	$6,000
SIMPLE IRA elective deferral	$12,500	$12,500
SIMPLE IRA catch-up deferral (age 50 and over)	$3,000	$3,000
Income phase out for ROTH (MFJ)	$184,000	$186,000
Other information		
Income subject to Social Security tax	$118,500	$127,200
Maximum earned income before SS benefits are reduced for those collecting SS before full retirement	$15,720	$16,920
Annual Gift Exclusion	$14,000	$14,000
Standard Mileage Rate	$0.54/ mile	$0.535/ mile
Social Security Cost of Living Adjustment	0.0%	0.3%

Helping individuals navigate their financial lives.

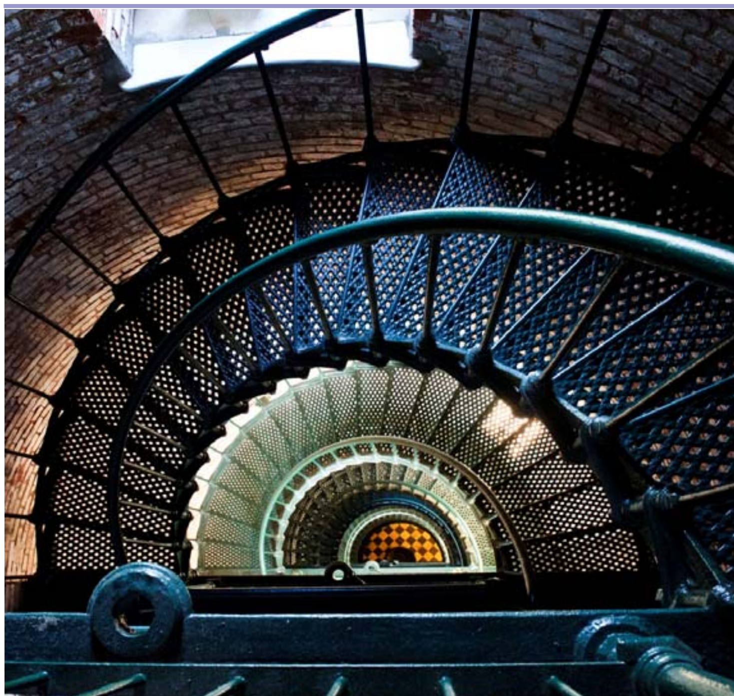
Resolutions (continued from page 1)

change it. This will probably not be enough for a reasonable retirement for most workers. A simple increase of 1% per year would make a dramatic difference over time.

3. **Spend less than you earn.** This is one of the most basic of financial planning concepts and yet one that is not followed by many people today. With the availability of easy credit as mentioned above, it is all too easy to spend beyond your earning power. While this concept (similar to dieting) may not be fun, it is foundational to building wealth over time. Over the years we have seen many individuals that never had a high paying job or an inheritance, but lived well within their means. Over time they were able to build large amounts of wealth through practicing this simple concept.
4. **Save some money.** Saving can be through your 401(k) plan as mentioned above, or it can be through a savings or investment account that is not tax-sheltered. This concept also ties into #3 above, since in order to be able to save, you can't be spending all of your earnings. The common term relating to savings is "pay yourself first." Saving is the way to do this. This will also provide you some margin against unexpected financial situations that may arise. Having some savings to draw on is much preferred to using high interest rate credit cards to cover an emergency.

5. **Know where your money goes.** You can call this budgeting, or you may just track your spending after the fact. It has been shown in many studies, that simply tracking where our resources go helps us to have a better understanding of our spending habits and will help to control spending. If you have never done this, I would encourage you to track every dollar that you spend for one month. Then review the results for some ways to change your spending habits. Spend money on what is really important to you and cut back on other areas. This may also allow you to increase payments to reduce debt or increase your 401(k) funding.
6. **Have a plan.** Most of us would never take a vacation without first spending at least some time planning the trip. We would pick a destination, arrange for travel, save some money, and plan time off. When planning financially for the future, whether the plan is for retirement, college for children, or some special goal, making a plan is the first step toward success.
7. **Think long-term.** When looking at your financial situation, one of the most common mistakes that people make is taking a short-term view. This can be true when looking at fluctuations in the markets. If your investments decline by 5%, are you tempted to sell out to be safe? You would probably be missing out on better long term returns by that short-term decision. Also, the decisions to save or fund more into your retirement plan are really decisions based on long-term thinking. There is some sacrifice today for a future benefit.
8. **Automate payments and investments.** One of the best things about 401(k) plans is that once they are set up the deductions automatically are taken from paychecks. Once the funding decision has been made, future contributions just happen. In the same way, setting up automatic payments to pay extra on credit card debt or automatic withholdings into savings accounts, help to carry out your financial plan without having to make the decision multiple times. Set up the plan and time will help it to happen.
9. **Educate yourself financially.** Read books, financial articles, web sites and blogs. Ask questions of your financial advisors or others that you trust. In the age of the internet there is much information that is available at your fingertips. At the same time, however, be careful about what you read and hear. Check with multiple sources before you make any significant financial decisions. We believe in the importance of education and would be happy to discuss your financial questions and concerns.
10. **Think financial independence, not retirement.** In this age where many people are focused on retirement, we would encourage you to think in terms of financial independence rather than retirement. Retirement may mean not working at the place you have worked for years. On the other hand, financial independence may mean that you have flexibility and options to do more of what you want, and to work less if you choose. To get to the stage of financial independence, however, you will probably need to follow most of the other nine steps listed here.

While most New Year's resolutions are typically forgotten by the time February arrives, we hope you will take this list and apply it to your situation as you begin 2017. If you follow these ideas, your financial future should look much brighter in 2017 and beyond. ■



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Check out our redesigned website!

We have updated our website! Check it out at **www.lightwealth.com**! Here are some of the features of our website, including some new things we added:

- Take a free Riskalyze risk assessment on the home page;
- Click on the Schwab icon on the home page to log into your Schwab Alliance account;
- See the "about us" page to send emails to us individually, or contact us using the general contact form;
- Read about what makes us different than a lot of other financial professionals on "the difference" page;
- Access this issue, as well as past issues, of our newsletter anytime;
- Sign up to receive our newsletters by regular mail or email on the newsletters' page;
- See some of the charities we support on the "giving back" page. ■

Market Recap

How the major indices performed in the 4th Quarter 2016

DOW JONES INDUSTRIAL AVERAGE
4th Quarter return 8.3% YTD return 13.4%

S & P 500 COMPOSITE
4th Quarter return 3.4% YTD return 9.5%

RUSSELL 2000
4th Quarter return 9.3% YTD return 19.5%

BARCLAYS AGGREGATE BOND
4th Quarter return -2.9% YTD return 2.8%

Market Update

By Tim Rowsey, CPA
Investment Advisor Rep.

Equities had a strong fourth quarter.
The long anticipated election of 2016 is finally over. With the resolution of that major uncertainty equity markets celebrated with a strong fourth quarter gain. The Dow Jones Industrial Average increased 8.3% for the quarter and ended the year with a gain of 13.4%. The S & P 500 gained 3.4% for the quarter and ended the year with a 9.5% return. Small cap stocks as represented by the Russell 2000 had an even stronger quarter and ended the year with a 19.5% gain.

Bonds declined sharply in the fourth quarter.
The Barclays aggregate Bond index decreased by 2.9% for the quarter. The bond market dropped significantly in the fourth quarter, partly in response to a Trump presidency and uncertainty regarding future Fed actions. The Fed did finally increase rates by 0.25% in December as had been widely anticipated. They also indicated the probability of multiple rate hikes in 2017.

The Presidential election unknown is finally resolved.
Markets don't like uncertainty and the night of the election and the following days demonstrated the wild fluctuations that uncertainty can bring. Once the uncertainty was removed, however, a clearer picture of the political landscape was set. Markets seemed to respond positively to the possibility of Republicans controlling both parts of Congress and the presidency. With the strong growth in the fourth quarter a little caution is probably prudent as we move into a new year. A balanced portfolio continues to be a good protective measure against stock market volatility. ■

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