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Can Making New Year's Resolutions Improve Your Financial Health?

BOSTON--(BUSINESS WIRE)-- 2014 was a good year for many Americans, with the stock market soaring to new highs and the unemployment rate moving below six percent. But is complacency starting to sink in, six years after the Great Recession? Perhaps, if New Year's resolutions are any indication: according to Fidelity Investments®' sixth annual New Year Financial Resolutions Study, the number of Americans ringing in 2015 by making financial resolutions is on the decline, with only 31 percent considering one, compared to 43 percent in 2014. And yet, the survey also reveals important reasons to do so—all of which involve your financial well-being.

"The fact resolutions are down is troublesome, since the survey numbers indicate people who made financial resolutions at the start of 2014 are more likely to say they are now in a better financial position, demonstrating there are real advantages to making them," said Lauren Brouhard, senior vice president of Retirement at Fidelity. "Simple commitments such as saving more and paying off debt can have a tremendous impact on the financial and emotional well-being of a household. The key to achieving your long-term goals and aspirations is creating a plan and sticking to it."

For the fourth consecutive year, the top three financial resolutions continue to be:

- Saving more (55 percent). The median commitment is an additional $200 a month.
- Paying off debt (20 percent)
- Spending less (17 percent)

Encouragingly, "develop a plan to reach longer-term goals" was also a popular choice, increasing to 14 percent. This is a more than twofold increase since 2011, when it was at a single-digit low of 6 percent...

Happy days are here again?

In contrast to the diminished interest in setting financial resolutions, many Americans report increased confidence around the condition of their household ledgers, with 41 percent of respondents feeling better about their present financial situation than they did the same time last year. This is the highest level reported since the question was first asked in 2010 and a 58 percent increase over 2013 numbers. In addition, 36 percent say they are carrying less debt than the year before, another survey high. And, 64 percent expect their bonus or tax refund will be at least the same—if not larger—in the year ahead.

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Perhaps surprisingly, this feeling of personal prosperity is most strongly felt among the younger generation. According to the survey, exactly half of Gen Y-ers (born 1979-1996) say they are in a better financial position this year, with only 8 percent indicating they are worse off. Furthermore, Gen Y is also at the head of the generational pack when it came to making progress in reducing the amount of their debt in the past year.

Why resolutions matter: Those who make them say they feel better off financially

One powerful motivator for making a financial resolution: it may help improve your financial condition. For those who say they made a resolution at the start of 2014, more than one-half (51 percent) now feel they are better off financially. In contrast, only 38 percent of those who did not can say the same.

Although the simple act of making a resolution is certainly not enough to ensure financial prosperity, it may provide the motivation needed to take the steps that get you headed in the right direction. 42 percent of those surveyed find sticking to financial resolutions easier than sticking to other common resolutions, such as exercising regularly or pledging to give up smoking. And, for those who made a resolution last year, almost two-thirds (74 percent) succeeded in at least getting halfway to their goal. Even better, 29 percent were completely successful.

"These findings validate the importance of taking small steps to get on a path to a more secure financial future," said Brouhard. "Challenging yourself to save more and invest for the long term is not as hard as it may seem and can truly improve your peace of mind. Even a one percent increase in savings in the year ahead can have a profound impact on your financial security."

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How The 30-Year Mortgage Robs Your Future

Do you want to give up the chance of becoming a millionaire?

from daveramsey.com on 05 May 2011

Do you want to give up the chance of becoming a millionaire?

The U.S. government may finally understand that 30-year mortgages are a bad deal. Fannie Mae and Freddie Mac, the government entities that guarantee 90% of U.S. mortgages, are losing taxpayer money hand over fist thanks to massive homeowner default rates.

So the Obama administration proposed eliminating federal guarantees for home loans except for borrowers who can't qualify for a mortgage with a private lender. Without that federal backing, banks will shoulder more of the risk, driving up the cost of mortgages through tighter credit requirements, larger down payments and higher interest rates. The 30-year mortgage won't seem so attractive with those features, will it?

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Did you know that every time you make a house payment you're building equity? Refinancing your current mortagae can lower your monthly payment and reduce the total interest you'll pay over the life of the loan. Whether you just want to pay off your home sooner, or use the equity to pay off those high interest credit cards, buy a car, or simply take a vacation, the equity in your home can help make those goals a reality and at a much lower interest rate. With no closing costs, our mortgages are simple and affordable (appraisal not included). Call or stop by today and find out more details.

*APR= Annual Percentage Rate. Rates subject to credit approval and score. Max $200,000. 80% loan to value. No closing cost on new loans, with minimum of $20,000, appraisal fee not included in -0- closing cost. Appraisal must be provided by LFCU approved appraiser. Primary resident only. Current loans through LFCU can refinance, but are responsible for all closing cost an appraiser fees. Rates subject to change without notice. Other terms and conditions may apply.

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An Option We Can Do Without

Actually, the 30-year mortgage was always a bad idea. It simply enabled borrowers to buy more house than they could afford by spreading the payments out over a longer term. On top of that, those homeowners paid tens—even hundreds of thousands of dollars more in interest.

That's why Dave never recommends 30-year mortgages. If you don't pay cash for your home, get a 15-year mortgage with at least a 10% down payment and monthly payments that are no more than 25% of your take-home pay.

Your "Stolen" Opportunity

The difference between a 15- and 30-year mortgage with a 6% interest rate on a $225,000 home is $144,000 over the life of the loan. What could you do with $144,000? Pay for your kids' college? Buy a car? Buy another house?

What if you invested that $144,000? Invested as a lump sum, it would grow to a million dollars in just 17 years. You'd have $2.5 million in 25 years. On the other hand, what if you invested your house payment for 15 years after you paid off your 15-year mortgage? One year later, you'd have a million bucks. Ten years later, you'd have $3.5 million.

Are you ready to give up the opportunity to be a millionaire just to buy a home you can't really afford in the first place? Didn't think so.

Consult A Real Estate Pro

That's why you have to shop for homes with your head—not just your heart. Too many homeowners fall in love with a home they just have to have, no matter the cost. But if you know buying that home could cost you the chance to be a millionaire, it's much less attractive.

Did you know January is the best month to buy new furniture? Apply for a Signature Loan and get new furnishings for your home!

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