

TEN TIPS FOR KEEPING IN SHAPE—FINANCIALLY

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Every day your mirror tells you what shape you're in. You know you have to eat right, exercise, and so on to keep your body looking great. But do you know how to keep yourself financially fit? Here are ten tips to help you:

Have a plan. Think about where you are and where you want to be in a year, five years, ten years, fifty years. Set goals for yourself. Decide what you have to do to reach those goals. The sky's the limit if you're willing to do what it takes.

Establish credit in your own name. Rely on your parents or a spouse for too long and you could be in for a bad surprise. Open a checking and a savings account in your own name; apply for a small loan and pay it off on time. If necessary, co-sign a loan or get a secured credit card (you keep x dollars in an account and get a credit line for the same amount).

Keep track of your credit rating. There are three major credit bureaus: Equifax, TransUnion, and Experian. Details of your financial dealings are reported to them by financial institutions. A score is developed for individuals based on this information. Businesses and financial institutions make decisions about granting you loans, employment, credit, leases, and so on, based on this credit score. Missed or late payments, denials of credit, or loss of income can affect your rating. A shocking number of credit reports contain errors. Check yours regularly: federal law allows you one free credit report per year, or whenever you've been denied credit.

Keep a budget. Track your income and expenses for a month or more. Also note items paid in or out on an infrequent basis, like excise taxes or bonuses. Create broad categories from that list: household, entertainment, health/beauty and so on. Figure all expenses as a monthly amount. Now do the math—subtract money out from money in—and decide where you can trim expenses. Make a budget and stick to it.

Limit your credit card debt. Credit cards are great for keeping track of spending, building your credit, and giving you product warranties, airline mileage and other incentives. Watch out, though for high interest rates. Negotiating a lower rate can be as easy as calling your creditor and asking for it. Pay off the balance before interest charges accrue, if possible; avoid late payments, which result in one-time charges, higher interest rates, and reduced credit score.

Diversify your investments. Save something each month, even if it's just a small amount. If you have a steady cash flow and your debt and expenses are under control, don't be afraid to invest a bit. Real estate, stocks, and mutual funds are riskier than savings accounts, but may yield higher returns. Women have a better investment track record than men, so don't be afraid! Educate yourself with books, free seminars, a subscription to a financial journal...or befriend a broker and ask intelligent questions!

Keep all your records in one safe place. A fireproof lock box kept in your home might be the best solution. Or a safety deposit box—but check the laws in your state to see how hard it'll be to get into if something should happen to you.

Communicate with others. Someone you trust should know what you've got and where your records are kept. Your lawyer or financial advisor, if you have one, should have copies of important documents as well.

Get good advice. Deal with professionals, even if it means spending a little money up front. A do-it-yourself legal document can lack a necessary component, be ruled invalid by the court, and result in a lengthy, expensive legal battle. Most lawyers don't charge for initial consultations. Financial advisors make their money on products they sell and typically don't charge for advice.

Create a will, even if you think you're not worth much money. Add together your savings, investments, real property, furniture, jewelry, and so on, and subtract your debts. That's your net worth. It may be more than you think. Even objects of only sentimental value can be distributed in a will. If you don't make a decision, the state will do it for you, and it might not be what you'd choose. A will is a flexible document and should be reexamined whenever there's a substantial change in your life.

No excuses now! Take these ten steps and you will reach your goal of financial health.