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START THE NEW YEAR RIGHT

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It's that time of year again. Everyone is back at the gym, on the treadmills and starting new diets. It's also a great time to jump-start your financial fitness program. Here are some things to think about:

■ What Is Important to You?
The first step in making smart financial decisions is to get clear about what you really want and why. Set both long-term and short-term goals. Consider the pleasure and fulfillment that accomplishing them will bring you.

■ What Do You Want to Accomplish and When?
Ask yourself, "Where do you want to be in three years and what will it take, investment-wise, to get there?" "What will it look like?" Then focus and prioritize around those answers.

■ How Will You Get There?
Identify the steps required to accomplish your goals and develop an action plan. Most likely, you'll need a financial coach and ally. Do your homework to find a good one.

> Good plans shape good decisions. That's why good planning helps to make elusive dreams come true.
>
> **Lester R. Bittel**, *The Nine Master Keys of Management*

■ What Is the Key to Success?
Put your plan in writing and commit to doing what it takes to make it happen. This might involve doing things that are not convenient – or that require a lot of self-discipline. Again, a good financial advisor can help you create a prudent plan and help you stay on track.

When creating your plan, keep in mind the following investment fundamentals:

Risk tolerance: Both fear and greed can lead to mistakes. Balance is the key. Determine what amount of risk you can really handle. Achieving your long-term goals is important – but so is sleeping at night.

Expected return: The bear market pushed the S & P 500 down to levels not seen since 1998.* Be aware of current market performance. That way, you can "map" your investment strategy to your retirement income needs based on **realistic** capital market expectations.

Time horizon: People who have a time horizon of less than five years should employ a dramatically different strategy than those with a longer time horizon. Be clear about what you need your money to do and when it will be needed.

Taxes: Taxes are important to consider when making any investment decision. However, the name of the game is not simply to minimize taxes, but to maximize after-tax profits with minimal risk.

Other goals for the year might include building up your emergency fund, reducing debt, and putting your estate in order. You do have a current will and estate plan, don't you? Re-commit to your financial fitness program today and enjoy more peace of mind in 2005.

* The S&P500 is an unmanaged index that cannot be directly invested into. Past performance is not a guarantee of future results.

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