

On Course

December 22, 2014 Volume 14, #12

Welcome! The holidays are in full swing with 2015 on the near horizon. As we do at this time every year, we're talking about putting your finances in order for a successful year. So find some time in the midst of the glitter and twinkle to give yourself the gift of financial security.

As we close 2014, we at Compass Planning want to thank you, our readers, for your continued support. If you have specific topics you would like us to cover in the coming year, just drop a line to OnCourse@CompassPlanning.com. We love to get your feedback. Remember we're here to help you stay *On Course!*

-Jennifer Lane, CFP

Money Tips for the New Year

As you move from 2014 to 2015, take some time to look at your credit card debt and investments as well as do some financial housekeeping.

Reduce credit card debt

- Use Google to search "debt snow flaking" or "debt snowball" to learn about this recommended way to pay off credit card and loan debt.
- With debt snow flaking, you will pay off your smallest balance first while paying the minimum balance on all your other cards.
- Look carefully at your expenses to find extra money to use against the credit card you are paying off so you pay more than the minimum payment. Even as little as \$25 will make a difference. Make as many snowflakes as you can!
- [Vertex42](#) offers a free calculator that you can download and use on your own computer for added privacy.
- Once you have paid off your first card, you'll take that credit card's minimum (and whatever extra you can afford) and add it to the minimum amount you have been paying on the next lowest balance.
- The cumulative effect on your payments snowballs as you reduce your debt!

Investment funds review

- Focus not so much on performance but more on cost and asset allocation.
- Use [Morningstar.com](#) to see what expenses your current funds carry. They should be less than one percent annually. Otherwise, you risk losing earnings to expenses.
- Next check [BankRate.com](#) for a nifty asset allocation calculator. You don't have to follow it exactly, but you'll get an introduction to what an asset allocation should look like. Your 401(k) provider may have an asset allocation calculator as well.
- Next step is to make an appointment with a financial planner for help customizing the asset allocation for your financials goals.

Good housekeeping

- Life insurance for those with children should be equal to at least 6 to 8 times annual living expenses for the household, e.g., if the expenses are \$100,000, each parent should have \$600,000 to \$800,000 in insurance. Pay special attention if one parent is at home because you may not have sufficient work coverage.
- Make sure your will, healthcare proxy, and power of attorney are up-to-date and reflect your current wishes. You'd be surprised how much things change over even a short amount of time. [Nolo.com](#) is a great

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Jennifer's Hint

Don't close your credit card accounts or minimize your credit lines if you're working on paying your cards off.

Keeping the ratio of the amount of credit used to the amount available is important. Also, banks recommend that you don't close cards too closely to applying for a loan. This extra activity could raise a red flag to a lender.

Get more tips in Jennifer's book

[\(click here for link \)](#)

Helpful Websites

[BankRate.com](#)

[FINRA.org](#)

[Mass Bar Association](#)

educational resource, but you still need a lawyer to help you with these documents.

- Are you worried about college costs? Budget to put money into your retirement account first. The college funds come after that. You want to avoid having your well educated children have to take care of you.

[Morningstar](#)

[NAPFA.org](#)

[Nolo](#)

[Vertex42](#)



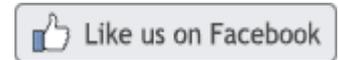
Q&A

Q: My parents bought a whole life policy for me when I was young. Should I cancel the policy and just carry term insurance now?

– **Beatrice, Acton**

A: Beatrice, if the policy is old enough and written by a strongly rated company, it may be supporting itself on dividends and you may not need to even pay premiums to keep it active. Keep the policy and reduce the amount of other term policies by the amount this policy would pay.

Good luck!



What's New

- The CFP Experts' Corner has featured Jennifer's article, *Keeping your Data Safe Online*. Click [here](#) to read the full article.
- Jennifer recently answered NECN viewer questions about **smart money gifts for kids**. Click [here](#) to watch the segment on her blog.
- Follow us on Facebook! Visit www.facebook.com/AskJennifer and like us!
- Jennifer appears on NECN every other Monday morning at 9:30 am in addition to her Tuesday 6:30 pm appearance.

Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our **fee-only, client-centered approach** provides education and guidance for achieving financial goals and dreams.

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