Start 2026 with a Financial Tune-Up

It's tempting to set ambitious goals at the start of a new year. However, behavioral scientists warn that whether goals are related to health, finances, learning, relationships, or overall well-being, starting small can be a more effective approach to achieving your goals. That's because small changes feel less daunting and can help build momentum over time, increasing the likelihood of success. That can be especially true where your finances are concerned.

Chances are, you don't need a major overhaul to notably improve your finances in the new year. A simple tune-up may be enough to get started incorporating positive financial habits that can serve you for life. Begin with the seven steps listed below.

1. Focus on process vs. outcomes

Let's say you want to set aside six-months' worth of living expenses in emergency savings this year. For most people, saving that amount in a relatively short period of time would be overly ambitious. A more realistic goal may be to "start" an emergency fund by designating a small percentage of each paycheck to be automatically deposited into a savings account. This approach focuses on the process – making savings a habit – rather than a singular outcome or dollar amount, which can be overwhelming. You can always increase the amount saved each month as your income rises or spending needs allow.

2. Evaluate your current financial habits

Before setting new goals, take a moment to assess how well your approach to managing your finances has worked over the past 12 months. Which goals did you meet or exceed? Which fell short? Did you adhere to a budget? An honest and introspective look at how you've managed your finances over the past year or so can help you identify the successful habits you'll want to continue into the new year, as well as areas that could use some improvement.

3. Clarify your priorities

The beginning of a new year can be an ideal time to review and adjust goals and priorities. Consider any changes that have taken place in your life over the past year. Did you start a new job, or experience a change in your marital status or number of dependents? Review your spending patterns over the past 12 months. How you spend your money reveals what's most important in your life. Use that information to make any necessary adjustments to ensure spending remains aligned with your priorities going forward.

4. Perform a budget check up

Did your income increase or decrease over the past 12 months? Did you add a car payment, pay off a credit card, or receive a bonus? It's important to conduct a formal budget review at least annually to ensure you've accounted for any changes to income or spending. Your budget is a powerful tool for keeping you on track toward your goals because it accounts for every dollar coming into and leaving your household. Without a budget, you're flying blind. And that can directly affect your ability to accomplish your goals on your timeline.

5. Use credit cards responsibly

Credit cards can be a powerful tool for establishing and maintaining a strong credit history which can lead to preferential rates on other debt, such as car loans or mortgages. However, it's critical to avoid using them to fund lifestyle inflation or accumulating high balances that can throw off your budget and reduce savings. Instead, try to keep balances low so you can pay them off each month. If you can't pay the full balance, always pay more than the minimum amount due. To avoid late payments, which adversely affect your credit rating, consider setting alerts and scheduling automatic payments.

6. Max-out tax-advantaged accounts

The same holds true for tax-deferred retirement savings accounts, such as employer-sponsored 401(k) or 403(b) plans. Ideally, you want to save the maximum amount, including any catch-up contributions if you're age 50+, to take advantage of tax-deferred compounding, which can help savings add up faster over time. However, if you can't contribute the full amount now, try to contribute enough to benefit from employer matching funds, if your employer offers a match. Otherwise, you're leaving free money on the table. Plan contribution limits for 2026 are as follows:

- **Standard Contribution Limit (under age 50):** $24,500
- **Ages 50-59, and 64+ Catch-Up:** $8,000 (for a total of $32,500)*
- **Ages 60-63 Special Catch-Up:** $11,250 (for a total of $35,750), if your plan allows.*

*Starting in 2026, catch-up contributions for those making $150,000+ must be made on an after-tax basis to a Roth account.

7. Prioritize progress over perfection

Finally, when it comes to establishing positive financial habits, progress is more important than perfection. If you veer off course, don't give up. Focus on the "why" behind your goals and take steps to get back on track as soon as possible.

To learn more about strategies aligned with your goals, contact the office to schedule a time to talk.