

Want Your Financial Future to Look Brighter? Here's Where to Start

While we personally don't have control over some of the biggest financial worries, there are strategies we can use to weather the risks and achieve a successful retirement.



(Image credit: Getty Images)

You likely started this year with a goal to improve your financial future in 2023. And, chances are, you already feel like you aren't achieving it.

This year, in particular, people are interested in making moves to improve their financial situation. Many Americans feel like their financial situation worsened in 2022 and that it will not improve this year.

In the annual New Year's Resolutions Study from Allianz Life Insurance Company of North America, 29% of Americans said their financial situation is worse now than it was a year ago.⁽¹⁾ This is up slightly from 2021 when 19% said the same. What's more, an increasing number of people expect their financial situation to get worse in 2023.

That's concerning. While we personally don't have control over some of the biggest financial worries, like inflation, there are still strategies we can implement to mitigate those risks.

Many people want to take control of their finances. Nearly one in three (32%) said financial stability is their top focus area for 2023. This is up from 23% in 2020. Yet, too many set unspecific goals, making them unachievable. The top ways people want to improve their

finances include building up an emergency fund, paying down credit cards, increasing retirement savings and making a budget, according to the study.

To improve your finances in 2023, you need to start with some hard work.

Where Is Your Money Going?

Before you set a goal to improve your finances, you need to know where your money is going. Start by taking two or three months to track your finances. How much money is coming in? And how much is going out? And, importantly, what is it going toward?

This is a basic exercise, but without doing it, you will never truly see your whole financial picture. There are plenty of ways you could be wasting or misallocating your money, but you don't know until you track it. The tricky part is you have to be accurate and honest with yourself to get a meaningful result. It can be hard to track because you don't always want to admit what you're spending money on.

You might find that you are paying for unused subscriptions. Or realize you spend more money eating out than you thought. Then you can make tangible decisions to cancel that subscription or go out to eat at least one less time a month and put that money into your savings account. At the end of the day, you need to be living within your means and not spending more than your take-home pay.

Where Should Your Money Be?

Now, it is time to make a plan. And write it down. This is where you solidify your abstract goals to buy a house, pay for your children's college or save enough for a comfortable retirement. A strong plan should include how upcoming life changes like a new job or birth of a child will affect your financial picture. A financial professional will be able to help create that written financial plan.

The plan should also incorporate strategies to help protect yourself from big financial concerns like inflation. The top worry in 2022, according to the study, was the rising cost of living. More than half (52%) of respondents said rising inflation was the first or second most worrisome threat in the next year, up from 38% in 2021. There are steps you can take in the short term, like delaying major purchases, and for the long term to maintain your purchasing power over time.

Your plan will need to account for how financial priorities shift as you move through life stages. When someone is first starting out in their career, they will be focused more on saving that first emergency fund and being an independent adult. Then, as you age and potentially have children, priorities will shift to buying a house, saving for kid's college funds and saving for retirement. In all life stages, your financial plan should help you live within your means.

A Solid Plan Now Can Lead to a Successful Retirement

A solid financial plan will help set you up for a successful retirement. You can only achieve this lifelong mission if you make incremental steps along the way to keep you on track. Without a plan, you may neglect long-term saving or fail to include strategies that mitigate risks to retirement like inflation, longevity and market volatility.

You will identify those big lifetime goals like a comfortable retirement and how to achieve it in the years ahead. A financial professional will also be able to offer guidance on how to prepare. They may also identify investments and financial products that could benefit your portfolio.

A financial professional can help find opportunities in your portfolio. For example, money in a checking account could better serve you in a high-yield savings account, or you have enough liquid assets and could benefit from making an investment in or purchasing a financial product like an annuity.

The ultimate goal is to set yourself up for a sustainable financial future. Do the hard work now to help you achieve it.

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