2017: New Year financial resolutions

It wouldn't be the New Year without resolutions. For most of us, New Year's resolutions can disappear in days, weeks at best. Financial New Year's resolutions are really common, but they can be some of the toughest to stick with. Here we look at seven ways to set a course and stay on track

1. KNOW WHAT YOU WANT TO ACHIEVE

While financial resolutions are not easy they are manageable and worthwhile. Research has shown that of those who make resolutions, more than half are better off as a result.
Start by deciding on what are you hoping to accomplish in 2017. Know what you want to achieve, eg. spend less, save more money, reduce debt, protect your family, and secure your retirement. Whatever it is have a clear and actionable goal. Then identify the behaviours and practices you need to make that goal happen.

2. KNOWLEDGE IS POWER – KNOW WHERE YOU ARE FINANCIALLY

Creating your own budget and net worth statement will help you plan and stay on track even during tough times. If you are not sure where your money is going, track your spending using a spreadsheet or an online budgeting tool for 30 days. You may be surprised how much money you are spending on small items or services you never avail of. You cannot save money if you do not know where money is going.
Most financial decisions are linked and determining how best to address your varied expenditure will free up more money for savings and investments.

HOW VETERINARY IRELAND FINANCIAL SERVICES CAN HELP YOU

Here at Veterinary Ireland Financial Services, we have access to excellent software that can develop detailed financial plans and risk profiles for retirement, education, gifting and tax-efficient transfer of wealth.
We can review your current financial status and simulate the impact of 'what-if' scenarios on forward-looking plans.

3. PREPARE FOR THE UNEXPECTED

Your life can be changed by all kinds of nasty surprises – unexpected home maintenance, car repair, an illness, job loss, disability, death.
Consider having an emergency fund with three to six months' worth of essential living expenses in a savings account. When emergencies happen it pulls funds away from bills as well as savings and investments.

REVIEW YOUR INSURANCES

Everyone has different needs depending on their stage in life. It is important that you have enough insurance to protect your dependants and your income in case of illness, death or disability and make sure your coverage is right for you.

- Purchase life insurance. If you have minor children or you have large liabilities that will continue after your death, you may need additional life insurance. Consider purchasing a low-cost term life policy;
- Protect your earning power with long-term disability insurance;
- Protect against large medical expenses with health insurance;
- Protect your physical assets with property insurance.

SET REGULAR REVIEWS

It's generally a good idea to review your budget monthly. It helps you stay on track as you can identify unusual or once-off expenses that you had not anticipated and also helps you plan for the future.

4. PROTECT YOUR ESTATE

Without an estate plan, the fate of your assets or minor children may be decided by solicitors, and the Revenue. Fees can eat away at your estate, and delay the distribution of assets just when your family needs them most. Here's how to protect your estate – and your loved ones:

- Update your will. A will can provide for your dependents' support and care, and help you avoid the costs and delays associated with dying without one;
- Keep information on beneficiaries up-to-date. This ensures the proceeds of life insurance policies and pension policies get to your family quickly, without having to pass through the probate process;
- Keep your documents safe. Make sure a trusted family member, solicitor or close friend knows the location of your important documents;
- Power of Attorney. Put an enduring power of attorney in place in the event that you become incapable of managing your own affairs.

5. FOCUS ON RETIREMENT

We consider pensions as long-term savings and as a savings vehicle; they are the single most tax-efficient way of saving for your retirement. The effect of tax-free growth and compounding can double the value of your pension over a 12-year period, assuming a 6% annual return. Every 10 years, you delay starting your pension means you double the cost of how much you need to put away to get to the same place when you retire.

For those of you who have a pension plan in place, now that the rush of tax return deadline is behind us, it is a good time to take your pension portfolio and ensure it is in line with your needs, objectives and current risk appetite.

6. CLOSE THE DOOR BEHIND YOU!

Many vets approaching retirement feel there is no obvious succession option for their practice.

However, all is not lost! There are still commercially viable practices out there and there are still new vets starting off their career who wish to join or take over practices for commercial and personal reasons. We see both work-in and buy-in models. Every vet's set of circumstances are different. What suits one, may not suit the other. Our message is, there are options! You owe it to yourself to explore all avenues.

7. PUT A PARTNERSHIP AGREEMENT IN PLACE

It is worrying how many practices still operate without a written partnership agreement. Whether you have a formal or informal verbal agreement or not, the law states that 'where two or more people come together to carry on business with a view to a profit, then a partnership exists'.

In the absence of a written agreement, partnerships are governed by the archaic Partnerships Act 1890, which is completely unfit for purpose and can place partnerships relying on this legislation in significant difficulties. It is imperative that your agreement is specific to your practice and not a generic partnership agreement template.

The first step, which is usually the main stumbling block, is the commercial arrangement. Profit-share ratios, work-in/buy-in procedures, exit provisions and preferential profit shares should all be discussed. Once the financial structure is agreed, the rest of the process should be easier!

8. INADEQUATE PRACTICE INSURANCE

Many veterinary practices have inadequate insurance. Many have standard office policies which is in no way sufficient and leaves you exposed and potentially liable. It is imperative that you have specific insurance for your veterinary practice.

KEEPING THOSE RESOLUTIONS

Finally, remember you don't have to do everything at once. Take one step at a time. It may be a good idea to maintain a checklist if you are serious about achieving your plans. We would encourage you to complete a full financial plan as this will help you decide on which financial goals should be your priority and develop long-term financial habits that position you for success.

Make some real progress on your journey in 2017.

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