

Some ideas for what to do with that financial gift at Christmas

Maybe you will receive a nice monetary gift for the holidays and don't know what to do with the money. We are glad you are being careful about its use and would suggest the following tips for your new funds.

Prioritize your long- and short-term goals. Goals should be both realistic and specific. Your goals are the guidelines for what to do with the money. For example, if you would like to purchase a house in the near future, the money might represent a down payment. Money to be used in the short term should be held in more conservative investments than money needed further down the road.

Establish an emergency reserve. A fund for unexpected expenses is always good to have. Financial advisers usually recommend three to six months of living expenses depending on the individual's unique situation. For example, a self-employed person may want more of a reserve in case business is bad for a period of time. On the other hand, a couple with both members earning a regular salary may require less of a reserve. Money set aside for this purpose should be kept in a readily accessible and conservatively allocated account.

Retirement Funding.

Retirement is expensive.

The earlier one starts saving for retirement, the better. Depending on your needs, you might consider making a contribution to a Traditional or Roth IRA.

You will need to review the eligibility requirements for these plans if this becomes your choice.

If your employer offers a retirement plan, such as a 401(k), consider swapping the dollars. Make larger contributions to the plan in exchange for using the gift money to live on. This will put your money into a vehicle that will grow tax deferred until you need it.

Buy a home. Your gift might represent the down payment on a home.

Before you buy, consider all the aspects of home ownership. The monthly mortgage payment is only a part of the total expenses. Factor in costs such as home maintenance, property taxes and insurance.

Consider how long you might live at this location.

In the end, you have to decide if home ownership is the right path for you.

Pay down debt. The first step is to know who and how much you owe.

Make a list of the creditors, amount of the debt, monthly payment, interest rate and due date. You can

use your credit report to confirm the debts on your list. A monthly bill payment calendar could give you clarity on the situation. Next, decide which debts to pay off first. You might want to pay off your high interest credit cards.

Seek reputable professional debt counseling help if you feel you need it. As you pay off debt, you will have additional cash each month to use for other purposes such as retirement or building that emergency reserve.

Research. Consider reading one of the many books on personal finance that are available today. This will help you see where your finances might need some work and get you started. "The Millionaire Next Door" by Thomas J.

Stanley and William D.

Danko will provide some insight into wealth accumulation. "Get a Financial Life: Personal Finance in Your Twenties and Thirties" by Beth Kobliner touches on many areas of personal finance – even people past age 20 or 30 could benefit from reading it.

Consider a small indulgence.

Life is about balance and that includes saving for tomorrow versus having fun today. In view of this, you might want to spend a small amount on something you would have never done otherwise.

Perhaps a nice dinner at a fabulous restaurant with a few friends would do the trick.

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