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**Money**

## Finding your financial utopia

Thursday September 13, 4:41 pm ET

Managing money smarter can put you on track to a rich life. Here's how to reach your long-term financial goals.

Bring order to financial clutter

Time it takes: 35 days

Week 1: Get Psyched - When you organize your financial paperwork, you're less likely to miss a bill payment and more likely to know exactly where your money is going, which could help you save.

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Week 2: Pay Attention - Jot down in a notebook what you spend for a month. As Bob Goldman, a financial planner in Sausalito, Calif., puts it, the idea is to cut through the "grand amnesia of what happens to your money" after your paycheck lands in your bank account. Can't bear to record every latte and magazine for four weeks? Do it for one week and multiply each category by four; add in your monthly bills. Then take stock to see where you can cut back.

Week 3: Shred - You don't need most of the financial paperwork that's cluttering your life. You can

throw out utility bills and credit-card statements within a few months. Hold on to pay stubs only until your W-2 arrives, monthly financial statements until you have year-end ones. Prevent new clutter from forming by opting for online statements from banks or brokerage firms.

Week 4: File - Create a tidy home for the stuff you need to keep: tax returns (and backup documents for at least six years), insurance policies, deeds, annual brokerage, 401(k) and fund statements and receipts for major purchases. Develop a filing system - a simple alphabetical one or groupings like auto and home.

Week 5: Automate - Move your bill paying online. Even better: Set up automatic payments for regular bills that are due every month or quarter, like your mortgage, cable and insurance.

Find a better job

Time it takes: 35 weeks

Revitalize your network - If you're smart, you've stayed in touch with folks who can help you now. Better yet if you've been helpful to them. When you get together, don't ask about jobs. "People feel used," says Pam Lassiter, author of *The New Job Security*. Instead, exchange ideas about the industry. Your goal is to get them thinking of you.

Get to know you again - You need an honest overview of your skills, values and what makes you happy. Well-meaning friends may not be objective sounding boards. For that, hire a career counselor. Expect to spend at least \$150 for every hour-long session, with a minimum of six meetings.

Look for trends - To see what talents are in demand, scan the help-wanted ads on sites like ExecuNet.com (minimum cost: \$39 for 30 days) or Monster.com (free). Package yourself accordingly. Work up different versions of your résumé to highlight certain skills.

Develop a pitch about yourself - At an interview you need to be able to say succinctly why a company should invest in you. "The closer you can come to putting a dollar amount on what you've done, the better," says Lassiter.

Clean up damaged credit

Time it takes: 35 months

Learn your reputation - Order a free credit report and buy your credit score to learn how bad the damage is. With your credit score you'll find out the key reasons your score is not higher. If you find errors, correct them immediately.

Be patient - You typically need two to three years to fully repair terrible credit, says John Ventura, author of *"The Credit Repair Handbook"*. But take heart: Every act of good bill-paying and credit behavior on your report pushes your old rep further into the past and lifts your score.

Have a payoff plan - Track your spending for a month to see how much you can devote to retiring your credit card balances. Attack the highest-rate debt first. The typical household, with \$7,300 in credit-card debt at an average rate of 13.9%, could be in the black after 35 monthly checks for \$254.89. 4 Save too Build a cash cushion for emergencies so that you don't have to run up high credit-card balances again.

Rewrite history - You can add positive information to your credit report by paying bills on time and retiring your balances. Also, avoid applying for new credit that you don't need. Keep your oldest accounts open and active (use them at least every six months). Loyalty and unused borrowing capacity look good to a credit scoring computer.

Build lifetime wealth

Time it takes: 35 years

Own stocks - You can't beat the long term returns: The S&P 500 has gained 10.2% a year since 1925, a record that no other asset class can match. Stocks may be riskier than bonds and cash in the short run, but you've got 35 years. This is where most of your money should be.

Pay less - That 1.5% annual fee your mutual fund charges looks piddling, but it takes a year PLAN big bite over 35 years. The difference between investing \$10,000 in that fund and the same amount in one that charges 0.2% is \$50,700 after 3½ decades (if both earn 8% annualized returns).

Start young - Putting money aside early is a surer bet than counting on high returns.

Diversify - Owning a mix of stocks, bonds and other assets paves the way for smooth returns. As you get older, add more bonds to ensure that short term swings in stock prices don't jeopardize your retirement.

Buy a house - Mortgages are getting a bad name right now, so it's worth remembering their virtues: You can deduct the interest you pay; writing a check to a lender rather than a landlord is forced savings; and if you lock in a rate for the next 30 years, your payment will feel smaller and smaller as time marches on and inflation ramps up.

Get and stay married - Researchers at Ohio State University found that divorce reduces a person's wealth by more than half, proving that when it comes to money, you're better off staying on a team.

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