During 2010, the U.S. economy transitioned from an economic recovery driven primarily by government stimulus to one driven by domestic demand and expanding exports.

During 2010, the U.S. economy transitioned from an economic recovery driven primarily by government stimulus to one driven by domestic demand and expanding exports. Even GM has come back from bankruptcy and Ford has announced that it will add 7,000 new employees by year end. On the downside, unemployment remains stubbornly high at a reported 9.4 percent and new housing starts are at about half their pre-recession level.

Most economic forecasts for 2011 are for 3 percent plus GDP growth, some easing in unemployment and inflation remaining in check. Corporate profits should remain strong, which could be a boost to the stock market. In Washington, the Republican controlled House will be a checkmate to the Democratically controlled Senate. The Obama Administration continues to move from a liberal stance to more of a centralist position as it prepares for reelection in 2012.

An Economic Green Light?

The US economic recovery is moving forward. Many financial advisors are more optimistic about the future and would give the economic recovery a “green light,” meaning to proceed more aggressively than in the past couple of years but stay within the speed limit. The record U.S. federal deficits, continuing sovereign debt problems in Europe and the ongoing threat of a major terrorist attack could quickly turn the economic landscape negative. Consider the following while working on your financial plan for 2011.

Diversify your investments and rebalance your accounts at least annually. With the stock market moving positively, you might consider increasing your equity allocation. If you hold company stock, it should not be more that 5-10 percent of your net worth. If your company hits a rough spot, you may not only lose your job but also your lifesavings. Diversify the investments in your retirement savings account and other investments.

Build your Emergency Fund - The objective should be saving the equivalent of 3-6 months expenses. Your emergency fund will help carry your family through short term financial

emergencies such as medical expenses, home and auto repairs and even unemployment. An emergency fund should be invested in relatively liquid instruments such as money market funds, saving or credit union accounts and even short term CD’s.

Debt is still a four letter word. If you have credit card debt, work it down with the objective of reducing the total amount of debt, lowering your interest rates and reducing the number of creditors. Don’t make purchases that add to your unsecured debt load.

Do the math and check it twice on any major financial moves that you make in 2011. Make sure that the financial move fits within your overall financial plan. This would include items such as major purchases, job changes and investments.

Enhance your job security, by improving your skill set. Raise your hand to participate on taskforces, take job related courses at a local university, volunteer to participate with company sponsored charitable organizations and seek out mentors for counsel. Outside of your company, develop a network of professionals in related fields that you can help and that can help you in the future. Finally, keep your resume up to date and continuously keep an eye on the market for jobs in your specialty.

Keep Your Eyes on the Road

The US economy is on the road to recovery; however there may be some roadblocks and sharp turns ahead. Keep your focus on your family’s financial goals and adjust your plans if there are major changes in the economy’s direction.

Michael G. Shinn, CFP, Registered Representative of and securities and investment advisory services offered through Financial Network Investment Corporation, member SIPC. Visit www.shinnfinancial.com for more information or to send your comments or questions to shinnm@financialnetwork.com.
© Michael G. Shinn 2011.