Personal finance resolutions 2018

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Home buyer demand is the strongest since 2000, according to a new survey from Genworth Mortgage Insurance. And, according the National Association of Realtors, home prices have risen 40 percent over the last five years, while income has barely budged.

That means home buyers who focus on their personal finances are going to be the winners, because they will have the means to make fast, substantial offers.

But as millennials are still struggling under the weight of massive student loans (only 55 percent make their payments on time, according to the latest research), getting your finances together enough to buy a home could be more difficult than imagined. Mortgage lenders follow strict guidelines that limit how much debt you can carry relative to your income.

So, as we move into 2018, and everyone heads back to the gym and goes back on their diets, here are some personal financial resolutions you might want to make:

1. Bulk up your savings. How much do you want to save this year? Do you have a "magic number" that will get you into a home? Whatever the amount is, write it down, and then reverse engineer the process of saving to that specific number. In other words, if you want to save $1,000 by the end of the year, you'll need to save $2.74 each day in order to get there. If you want to save $10,000 by the end of the year, you'll need to save $27.40 per day. Understanding how numbers work is the first step to achieving your financial goals.

It may not be as much fun as blowing a chunk of change at a restaurant or shopping mall, but if you learn the art of "deferred gratification," you'll soon find that the cash is piling up, which should encourage you to keep going. Try to find ways to save everywhere. On one of Ilyce's radio shows, a listener told her that she still goes to restaurants with her family, but no one gets a drink other than water: no alcohol, no sodas. Doing that shaves about one-third of her bill, and helps her save more than $1,000 every year.

Saving opportunities abound. Whether you're saving $5, $50 or $500, every time you don't spend money, you're saving it. So look for ways to trade out more expensive options for less expensive or free options in your category of expenses where you spend the most discretionary cash. For most folks, that's typically your entertainment spending, whether it's concerts, movies, date night, or eating out as a family. If you can cook more from scratch, and bring your lunch instead of buying it, you've got the potential to save thousands of dollars a year.

2. Pay down as much debt as you can. As long as mortgage lenders require borrowers follow strict rules regarding debt-to-income ratios, you'll need to focus on your debt repayment strategy.

Low interest rates help. Lenders look at how much of your gross income you spend paying down your debt each month (called your "debt service") and they compare that to your income and other required monthly payments (such as any spousal or child support you're obligated to pay). When interest rates are low, your required payments are less, which helps your overall debt-to-income ratios. Getting your debts paid off as quickly as possible will help too.

3. Watch your credit and credit cards. Sign up to get auto-alerts from your credit card company so that you'll see each charge (and can help with fraud protection in case you didn't make a charge) as it comes through. Seeing each charge come through (especially those that are on auto-renew each month or year) gives you a sense of your spending in real time. And, serves as a reminder to find way to chop down your spend.

4. Get your paperwork together. Lenders want to see your docs. They want to verify tax returns (especially if you're self-employed), see bank account statements, divorce decrees and other items. Even if you are going to provide these in an encrypted electronic file, you'll want to get those copies in one place so that when the time comes to apply for your loan, you're ready.

Remember this: Whether you hit your goal exactly by the end of the year is largely irrelevant. What you're trying to is build a foundation of financial stability, with good money habits, that will last you a lifetime.