Got 15 Minutes? Use It to Up Your Investing Game in 2020

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It happens every year. January 1: You're feeling motivated. This is the year you'll go to the gym every day, meditate and prep meals like a boss. February 1: Yeah, not so much.

This year, pick some New Year's resolutions that will stick. Here are five investing moves that will get your portfolio in order so fast, it might still be 2019 when you finish.

1. Diversify your accounts with a Roth IRA

Most investors know they should diversify their investments, but did you know you can diversify your investment *accounts*? If you're contributing to a 401(k) at work, it's a good idea to contribute at least enough to earn any matching dollars from your employer. After that, you should consider putting any additional retirement savings into a Roth IRA.

A Roth IRA provides tax diversification alongside a 401(k). 401(k) contributions are typically made pre-tax and then distributions in retirement are taxed as income. But Roth IRA contributions are made after-tax, which means your money grows tax-free and you don't pay taxes on retirement distributions.

If you haven't yet started investing for retirement, a Roth IRA is also a great first account, especially if you don't have an employer retirement plan like a 401(k). If you do, be sure to max out that employer match before you invest elsewhere. You can open an IRA at any online brokerage.

2. Invest more money with automated deposits

In a recent survey conducted by The Harris Poll for NerdWallet, more than a third of investors said they wish they would've invested more money in 2019. One easy way to ensure you're saving the amount you want is to set up an automatic deposit into your investment account.

If you can, send that money directly from your paycheck. If you never have the cash in your checking account, you never have the temptation to spend it. If your employer can't split your direct deposits into more than one account or doesn't offer direct deposit, schedule automatic transfers to occur from your checking account after your paycheck is deposited.

Automating your investment contributions takes just a few minutes and saves you the time you'd spend moving your money manually. Saving the same amount on a regular basis makes it easier to budget for your contributions instead of stomaching larger deposits all at once. If you feel like going the extra mile, try to raise your contributions by 1% every year. You might not even miss it.

3. Review how much you're paying in fees

Account fees, transaction charges, high investment expenses: All of these costs eat into your portfolio's return. If you put $500 a month into a brokerage account for 30 years, earn a 6% average annual return and pay fees of 0.50% of your balance each year, you'll end up sacrificing over $44,000 in returns.

While fees are hard to avoid completely, there are certainly ways to reduce them. Start by looking through your investment account statements to find what fees you're being charged by your brokerage or account provider. If you're invested in mutual funds, also take a look at each fund's prospectus. These documents are available on your broker's website, and the first few pages will outline the fee, called an expense ratio, charged by the fund.

“You should question any mutual fund or exchange-traded fund that has an expense ratio greater than 0.50%,” said Spencer Stephens, a certified financial planner and owner of Rooted Interest Financial Planning in Holladay, Utah, via email.

If you’re investing through a 401(k), you might not have an alternative fund, as these plans have small investment selections. But in any other investment account (like an IRA), you can shop around for lower-cost funds. Most online brokerages offer fund screeners, which you can use to sort available mutual funds and ETFs by expense ratio. And if your brokerage is still charging you a trading commission, consider switching to one of the many online brokers now offering free trades.

4. Roll over old 401(k)s

A 401(k) is a valuable employee benefit, which means you don’t want to leave it behind when you leave a job. If you have old 401(k)s lingering at past employers, take a bit of time to roll them over into an IRA.

It’s important to do the rollover correctly, though; otherwise, you could trigger taxes. Don’t cash out your balance or have your provider write you a check directly. Instead, ask your 401(k) plan provider to do a direct rollover into an IRA. You may also be able to roll your balance into your current 401(k).

5. Update your beneficiaries

When you’re in the throes of planning a wedding or dealing with swollen ankles from pregnancy, the last thing on your mind is updating the beneficiaries on your investment accounts. But these selections are important, and new year’s resolutions are a good reminder to make them.

“A beneficiary assignment (on an IRA, 401(k) or otherwise) supersedes the will of the deceased. So whoever the beneficiary is will receive the money, regardless of what the will says. This applies to both retirement and non-retirement accounts,” Ian Bloom, a CFP and owner of Open World Financial Life Planning in Raleigh, North Carolina, said in an email.

Maintaining up-to-date beneficiaries makes the transition smoother and ensures your money will go where you intend it to.

About the author

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Alana is one of NerdWallet's investing writers. She is the author of "Data Personified," "WTF: Where's the Fraud?" and several young adult titles. She has spoken at multiple fraud conferences, most notably for the FTC. Read more

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