

Spring (or Anytime) Cleaning For Your Finances

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Whether it is springtime or just being tired of clutter that motivates you, finances just like your yard, car, and closets occasionally need a thorough cleaning out or re-organization. Here are a few suggestions about where to start:

1. **Have goals**...or as Stephen Covey said, "Begin with the end in mind." For example, know not only when you want to retire but exactly what you will do when you do. Don't have any idea? Quickly brainstorm a list of 25 to 50 things you want to do in the next 10 years. I can assure you this will give you some pretty good clues. Will you retire early or work past normal retirement age? Cultivate a hobby into something that is financially rewarding as a second career? And exactly what is "the number," that amount of money you will need in order to stop working for pay entirely (which your financial advisor can help you nail)?
2. **Automate**. Everything. Especially saving. Not only for payroll-deduction 401k plans, but also for supplemental after-tax investment and saving accounts. I recommend sending kids to college, building retirement nest eggs, and creating, for example, travel accounts (my own is sacred to me) through regular, automated monthly drafts. And if you don't think you have any extra money to save, go ahead and establish a monthly draft to go into another account. You may be surprised at how you are able to "squeeze" money out of your spending into another pot and how gratifying it can be when you see you have a substantial sum earmarked for a particular goal. Also automate bill paying, with the exception of credit card payments.
3. **Use financial software to track and categorize everything** you spend. First, find a good program and then start recording expenses, making sure that you do **not** try to backtrack but that you just start where you are. Begin notating on the back of every receipt the spending category and then regularly enter those amounts into categories you create in your program. You may not need high-level software such as QuickBooks (unless you own your own business). There are other programs, even at least one online, that are free or very inexpensive. Then begin looking at where your money is going at the end of each month or (no less frequently than) quarterly.
4. **Just say no**. Especially if you notice patterns of, for example, giving money to adult children, stop. You are probably not helping them anyway if this is something you have done more than once. Besides, you are more than likely the one with goals that are more urgent in terms of staying on track toward a goal like retirement.
5. **Use advisors**. A good CPA, attorney, or financial advisor will more than earn her keep by helping you avoid costly mistakes and by finding hidden opportunities.
6. **Create a "key"** that your loved ones can use to unlock your estate plan. This is a file folder which directs the family member to details about where different pieces of your estate plan can be found. For example, you will say in exactly which file cabinet and drawer (virtual or actual) your will is. You will list your advisors with contact information and the location of life insurance policies and other legal documents. You don't put those actual documents, contracts, or policies in this file but merely make reference to where they can be found.

If you would like to explore any of these organizational tools further, email me or give me a call, and I will be happy to discuss them with you.

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