SUMMIT PLACE FINANCIAL ADVISORS

SPRING CLEANING YOUR FINANCES

After a long winter, we often feel a renewed sense of energy as we anticipate longer days and warmer weather. Some people channel that first burst of new energy into spring cleaning to remove the clutter that has accumulated during the winter. Why not adopt this annual ritual by not only cleaning up your home but also your finances? Here are five of our favorite "spring-cleaning" tasks to help get your finances back on track before warm evenings take you away from bookkeeping to summer barbeques.

1. Polish your budget

With summer activity and vacation plans coming on quickly, it can be very helpful to review your spending and see where adjustments can be made for the months ahead. Take some time to see where you have been spending the past few months. How well have you been sticking to your budget? Are you constantly readjusting it to match your monthly needs? Tracking your spending in each category can help you identify potential problem areas and perhaps consciously change some spending habits going forward. This is also a good time to incorporate your summer plans into your budgeting. If you find your budget overwhelming or too complex, try simplifying it by monitoring fewer, broader categories. You might also try one of the many smartphone apps that can help you track your budget for more success.

2. Wipe down your paperwork

Despite the increasing shift to digital statements and online organization, it seems like we have more paper documents

than ever. To stay better organized, try separating your papers into categories such as vital records, tax & legal documents, and household statements. While these records and documents may all seem important, not everyone needs to be kept. Some are regularly outdated and can be thrown away. You can decrease the clutter by getting rid of unnecessary old statements, leaving important documents in better order; shred anything that can be tossed.

Vital records should be securely kept forever. These include: birth and marriage certificates, life insurance policies, loan

agreements, and estate documents. But you don't need to keep every credit card receipt once you have matched it to your statement and have proof of payment. A good rule of thumb is to keep credit card statements and utility bills for 3 months unless you may need them as evidence for tax filing or proof of purchase.

Try creating two tax files, one for this year and one for previously filed tax returns. This will ensure you will have your documents ready for the current tax year and have back up files for anything that could be disputed in the future. The IRS recommends you keep your previous tax returns and support documents for 3 years in case of an audit. We recommend you keep all past tax returns and supporting documents as the IRS can request your prior years' returns indefinitely if they suspect fraud.

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3. Mop up your accounts

After planning your budget and reviewing piles of statements, you may have noticed that you have more accounts than you realized. Another way to simplify your financial life is by consolidating bank, investment, and retirement accounts. There is no need to have multiple IRAs that are titled identically. Bank accounts can be consolidated as long as your combined balances at any one bank do not exceed the FDIC insurance limit of $250,000 per person. Closing legacy accounts at different places can really help eliminate excess paperwork and make it easier to view and manage your financial life.

The average American consumer has 3.5 open credit cards. Considering eliminating ones you rarely use. Not only will you reduce paperwork, you will also decrease your chances of being a victim of identity fraud. It's just important to note that closing credit card accounts can often affect your credit score so if you have a lot of open cards, consider closing only one card every 6-12 months.

4. Dust off your insurance policies

When was the last time you reviewed your homeowners and life insurance policies? Spring cleaning is the perfect time to

examine your policies and ensure you have appropriate coverage. If you've recently been married or had a child, it may be time to add life insurance. If you've received a significant raise, it may be time to review your coverage as well to protect your family's increasing lifestyle. As life changes, it's also good to look over your life insurance policies to be sure that your beneficiary designations reflect your current wishes. Life insurance passes to the named beneficiary, regardless of any wishes in your will.

Although you may not think of it often, it is important to review your home's property and casualty policy routinely. If you have made renovations or bought new furniture, upgrading your homeowners insurance policy will help ensure you can rebuild in case of a total loss. You should also review your property and casualty insurance to make sure you have adequate personal liability coverage. If your children are becoming teenagers, you add a second home, or you are traveling more for leisure, you may find it is time to add to your umbrella liability coverage. Higher levels of insurance can be an important way to help protect high earners and wealthy families.

For more detailed information on different types of insurance policies and our recommendations, visit our learning paper, "Make Insurance a Family Priority."

5. Tune your withholdings

Did you review your withholdings this winter with that raise? As the year progresses, it's important to check that you're having enough income tax withheld from your pay. When setting up your withholding, your goal should be to find your personal balance. Some people want enough withheld that they are confident they will receive a tax refund each year; others prefer to keep their pay along the way and pay Uncle Sam as much as allowed when tax time comes. Note though, if you under-withhold, you can be subject to a penalty. So it's a good idea to review your withholding plan a few months after any changes in your salary.

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BONUS: Plant some charitable donations

Sometimes decluttering your home can also help with your taxes. Instead of tossing out old furniture and clothing, donate the items that are still in good condition to a charitable organization. You can deduct the fair market value of donated property from your taxes as long as it is given to a qualified charitable organization. By itemizing these donations, along with any funds paid directly to an eligible charity, you may be entitled to a charitable contribution deduction on your next tax filing. Be sure to get a receipt from the charitable organization so you have the necessary documentation for your taxes.

By taking some time to spring clean your finances, you might really simplify your financial life and even find additional savings throughout the coming months. Shredding unneeded documents, consolidating accounts and even closing unneeded ones will save you both time and, possibly, unnecessary fees. When doing your spring cleaning this year, take the extra time to consider some of the suggestions above. Your financial life needs a regular dusting off too.

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