

Spring Clean Your Financial House

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Spring cleaning is a traditional ritual of getting the springtime season off to a good start by cleaning, organizing, and removing clutter from the house. Spring cleaning gives you a great feeling and a sense of accomplishment, as well as being good for your family and for your home.

Spring is also a good time to get our financial house in order. April brings the end of tax season and finances are on our minds this time of year. We need to find a good time to review where we are financially. Financial educators teach us to review our budgets, our goals, and our retirement savings yearly. This review will help you determine where you stand financially.

Here are five steps to take in your review.

Step 1: Organize Your Finances

Create an organized filing system for your financial records. This system can be in any form that is easy for you to use (i.e., file box, loose-leaf binder, filing drawer). You will need to include your bank and investment accounts; retirement and pension benefit plan documents; mutual fund and brokerage accounts; insurance policies; credit card accounts; and accounts you hold in your children's name. Other useful information to collect and include are a personal directory of immediate family; a professional directory with contact information for attorneys, accountants, doctor and funeral director; your goals; your budget; a household inventory; tax information; and birth and death certificates. See sidebar for a list of important documents and how long you should keep them.

Step 2: Get a Copy of Your Credit Report

Knowing what is in your credit report is vital to your financial health. The information it contains will determine the interest you pay on your auto loans and on your mortgage, the amount you pay for your insurance, and even whether or not you are a good candidate for employment. You also need to check your credit reports, at the very least yearly, for fraud or to see if someone is using your identity. An amendment to the Fair Credit Reporting Act allows consumers to check each of the three credit reporting agencies once each year for free. There are many websites that claim to offer these free reports, but the only official site where you can get them at no cost is at www.annualcreditreport.com or to call toll-free at 1-877-322-8228. Get at least one of your credit reports each spring. Correct any errors and do what is necessary to improve your credit score (e.g., pay down debt and increase your savings). For more information visit www.ftc.gov.

Step 3: Review and Update Your Insurance

If others depend on you financially, it is important to have life insurance coverage for income replacement. Life insurance can help cover cash needs at death and can also be used as an estate planning tool or a charitable gifting tool. Disability insurance, which provides benefits to the insured person when he or she is unable to work because of accident or illness, may be an important need. Other important types of insurance include healthcare, homeowners or renters, auto, and long-term care. Reviewing your insurance requirements is an important step to take once a year, as life

experiences and life changes force you to keep up with these needs.

Step 4: Update or Get a Will

Wills are another important form of financial protection that some people overlook. A will is a legally enforceable declaration of your wishes regarding how you would like your property to be distributed after your death. It is especially important to have a will if you have minor children. For example, you will most likely need to name a guardian. You can change or revoke your will at any time. If you already have one, revisit it each spring to ensure that it reflects your current wishes. If you are writing a will for the first time, work with an attorney, because wills can be complex.

Step 5: Build an Emergency Fund

For the first time since the Great Depression American's personal saving rate, as calculated by the government dipped into negative territory in the mid 2000s, though it has picked up a bit since the recession. Utahns are no different. Whether Utahns are on a low income or those with high incomes, we are living pay-check to pay-check. Creating an emergency fund will protect you against financial crises such as an extended period of unemployment or a long illness. It will also allow you to pay for the needed car repair without putting it on credit or getting to a short-term, high-interest loan at the corner quick cash loan dealer. Your emergency fund should consist of about 3 to 6 months worth of living expenses. Invest the money in a liquid asset, such as a money market mutual fund or a short-term bond mutual fund so you can access it quickly if an emergency should arise.

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