

This spring is a good time to organize your finances, clean up debt and credit issues, consolidate, allocate and develop good habits to meet your goals.

SPRING CLEAN YOUR FINANCES

Overview

We tend to get caught up in the day-to-day issues related to jobs, family and home projects. We plan vacations, we plan weddings, we make plans for the weekend. If we spent more than a fraction of that time on financial planning and management, we'd probably all end up in a better place.

This spring, in addition to (if not in lieu of) cleaning out closets and the garage, sprucing up paint jobs and the lawn, consider tackling the chores necessary to clean up your financial picture. This project is likely to be composed of many smaller tasks, from consolidating accounts to throwing away (or shredding) old statements.

After all, how many bank accounts does one person need? How many 401(k) plans or brokerage firms? In many cases, you can diversify investments within one account and/or with one wealth management firm.

Make a list of the things you need to do — just as you would household chores — and set a timeline with benchmarks for completing tasks. The following guidelines can help you get started.

“If the receipts and statements in your filing cabinet (or the shoebox in the closet) date back to the Reagan administration, it’s time to sort and shred.”¹

Clean Up Bad Habits

One place to start is to clean up your bad habits. For many folks, this includes unnecessary spending. To help you determine the difference between what is necessary and what is discretionary spending, review the past six months to a year of expenditures.

Many credit card companies and banks offer online tools that make it easy for you to conduct an account search by date range and/or categories. If this doesn't yield a clean picture of your spending categories, consider how to make better use of the tools. For example, they may allow you to tag expenses and merchants correctly for a more accurate review in the future.

Be sure to take a look at your regular household bills, such as utilities, cable and cellphone service. If you can save money through a family plan, bundle services or cut the cord entirely and use streaming services, take the time to explore cost-saving options and put those strategies in place.

Another bad habit to eliminate is paying bills late. This can affect your credit score, so it's time to tighten the belt and try to pay all bills on time. If you are



behind on any payments, call the company and work out a payment plan to suit your circumstances.

If you are carrying significant debt, work out an aggressive payment plan and stick with it. If necessary, take on an additional job or projects (delivering pizza, Uber driver, handyman jobs, caregiving/babysitting, etc.) and allocate the extra cash to pay down your credit card debt or student loans.

While you're at it, develop some good habits. For example, put your savings and investment contributions on autopilot — so you save the same amount every month and have it transferred automatically to those accounts.

Clean Up Your Credit

If you don't know your current credit score, you should check it — and at least once a year. That way, you can see where you stand and make sure there is no incorrect information or fraudulent activity that may have affected it. You are entitled to request a free annual credit report from each of the three major credit reporting agencies — TransUnion, Experian and Equifax. In fact, you can request all three reports at one place, the government-authorized website www.annualcreditreport.com.

When cleaning up your credit, be wary of canceling credit cards, as this may negatively impact your credit score. It may be better to just put them in a drawer and stop using them. Another strategy is to put a small, recurring expense (think Netflix) on autopay on cards that carry no balance so you can pay it off each month. This keeps your cards active, in good standing, and contributes positive information to the credit agencies each month. It also keeps additional charges from hitting a card on which you're trying to pay off the balance.

Establish Goals

One of the more famous quotes spoken by baseball great Yogi Berra is, “If you don't know where you're going, you'll end up someplace else.” This is a good reference for financial matters. It's actually easier to save money if you have specific goals you want to fund. Whether saving to buy a home, put kids through college or vacation in Europe, specific goals help us stay focused and motivated.

Once you've established goals, you can figure out how much money you need to save and reverse engineer this data into a budget and timeline. Recognize, too, that financial goals can be both big and small. If you've identified that new windows or solar roof panels can help you save money over the long haul, put this goal in your budget and save on a monthly basis to pay for these upgrades at a predetermined date in the future.



Employer 401(k) Cleanup

According to a 2019 survey conducted by the Bureau of Labor Statistics, baby boomers have held an average of 12 jobs during their lifetimes.² Even if you participated in the company retirement plan at only half of those jobs, that's quite a trail of 401(k) plans.

Now's a good time to clean that up. If you can, transfer those assets to your current employer's 401(k) plan. If not, consider rolling over former employer plan assets into an IRA. If you have multiple IRAs, consider consolidating them into one for ease of tracking performance, managing fees and taking required minimum distributions (RMDs) during retirement. You may want to have one traditional IRA and one Roth IRA in order to diversify your tax liability during retirement.

Are You Truly Diversified?

Speaking of diversifying, it's also a good idea to take a look at your asset allocation. You may have a different asset allocation for each type of account you hold, such as a 401(k) plan, an IRA and a brokerage account. However, a strategic asset allocation should represent all of these accounts combined.

Also review the specific holdings among your accounts. You may find you're not quite as diversified as you think, as various mutual funds, exchange-traded funds (ETFs) and annuity subaccounts may have many of the same holdings. A truly diversified portfolio will contain a mix of asset classes, as well as securities from a large number of companies and government agencies across different industries and perhaps different countries.

The Dashboard

By the time you've tackled many of the preceding tasks, you may have reached the conclusion that there has to be a better way of keeping track of multiple financial accounts. Thanks to today's technology, there is.

One of the tools for consolidating account information is the dashboard. You may note that one or more of your individual accounts has a dashboard that collects and segments all of that account's information onto one screen for ease of viewing. Some financial accounts enable you to integrate information from other third-party accounts into that dashboard. If not, there are apps that allow you to sync up all of your disparate accounts into one dashboard.³ This way, you can view real-time information for your entire financial portfolio at a glance, all in one place, and even see the data integrated and segmented — such as your overall asset allocation across all accounts.

Cloud Filing

If you tend to save everything, now's a good time to update your filing system. If you can bear it, consider signing up for paperless documentation on all your accounts. This means you'll receive things like annual reports and



prospectuses electronically instead of by mail, which means less paperwork to file, less clutter around your home and it helps you do your part to save the environment.

If you don't have one already, consider acquiring a cloud system to help organize and save important electronic documents. If you complete your taxes using online software, this makes it particularly easy to look up information while on your computer. There are two more good reasons to adopt a cloud filing system: Your files remain safe even if a disaster strikes your home, and you don't have to transfer files every time you buy a new computer.

Insurance Checkup

A good spring cleaning should also include an insurance checkup to make sure you have the appropriate amount of insurance coverage for all of your needs. It's also a good time to create a home inventory by photographing valuable items and general photos of your home. If you have documentation and receipts you need to keep on hand, photograph those as well, and maintain them in your cloud filing system. This will make it much easier to replace your items in case of a disaster.

Automate Your Finances

If you're not doing so already, it's a good idea to pay your bills online and set up repeat bills to autopay regularly. This is a good idea in case you ever have to evacuate and do not receive your mail for a while. If you spend a lot of time online, request electronic bills instead of mailed ones. This makes it easy to pay your bills remotely — which is important for several reasons during retirement. For example, if you decide to live in a second home for part of the year, you'll still be able to pay bills without being at home to receive them. As you get older, it'll be easier if bills are set to be paid automatically in case you forget to pay them.

It's also a good idea to automate any incoming funds, such as annual RMDs, investment dividends and other payouts. In fact, it's a good idea to have all of your bank accounts consolidated into one by the time you retire for ease of managing your incoming and outgoing cash flow.

Estate Planning

Be aware that many insurance policies and financial accounts bypass your will and pay out directly to named beneficiaries upon your death. Be sure to check the beneficiary designations on all of your accounts to make sure that they are aligned with any recent changes in your life, such as getting married or divorced or having children.

If you don't have a will, it's time to get one — even if it's a simple one that leaves all of your assets to one person. This will make it easier for your beneficiaries to go through the probate process without having to prove how you intended to leave your assets.



Other legal documents you should complete during your spring cleanup include:

- Advance medical directive – details treatment preferences (such as “do not resuscitate”) and appoints a person to make decisions about your medical care if you are unable to
- Living will – details what you want to happen if you’re still alive but incapacitated
- Financial power of attorney – assigns a person legal authority to act on your behalf for financial issues

Final Thoughts

Admittedly, that’s a lot of spring cleaning. It’ll probably take longer than cleaning out the garage. However, break it down into small categories and tackle them one by one – you’ll get through it. As you can see, many of these tasks are important regardless of how old you are, what stage you are in your career or life, and even if you haven’t amassed substantial assets.

It’s also important to recognize that you don’t have to do all of your financial spring cleaning alone. It’s good to work with an experienced financial advisor as well as tax and legal professionals who can offer tailored advice specific to your circumstances and think of things you may not have considered.

¹ Taylor Tompkins. CreditCards.com. March 31, 2018. “7 tips to spring clean your finances.” <https://www.creditcards.com/credit-card-news/financial-spring-cleaning-tips.php>. Accessed Feb. 17, 2020.

² Alison Doyle. The Balance. Jan. 20, 2020. “How Often Do People Change Jobs During a Lifetime?” <https://www.thebalancecareers.com/how-often-do-people-change-jobs-2060467>. Accessed Feb. 17, 2020.

³ Jean Folger. Investopedia. Jan. 2, 2020. “4 Top Portfolio Management Apps.” <https://www.investopedia.com/articles/investing/031115/5-top-portfolio-management-apps.asp>. Accessed Feb. 17, 2020.



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