



## Spring clean your finances

### Clear out paper, dig out of debt, update the budget

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By Eileen Alt Powell, The Associated Press

NEW YORK -- Spring is the season of renewal -- the time to get out the gardening tools, begin a new exercise program or tackle the dirt that's accumulated in the house.

It also can be a good time to spring clean your finances.

"A little work now will make things easier as the year goes on," said Catherine Williams, a credit expert with Money Management International, a Houston-based counseling and education agency.

Ms. Williams suggests consumers start by reducing the amount of paper they accumulate.

"Are there any papers that you can convert into online files?" she asked. "Or, can I check my balances online and pay a couple of bucks a few months down the line to get a copy of an old statement I might need?"

On the other hand, Ms. Williams said, "Don't forget the tax man." That means consumers need to keep the documents related to income as well as the receipts for tax credits and deductions for at least three years. Statements dealing with investments and home ownership should be retained as long as the assets are owned.

Next, get a copy of your credit report at [www.annualcreditreport.com](http://www.annualcreditreport.com) or by calling the toll-free number 1-877-322-8228. The Fair and Accurate Credit Transactions Act of 2003 allows consumers to get a free copy of their credit report every year from each of the three main credit reporting agencies -- Equifax, Experian and TransUnion.

"Be proactive and challenge anything that's inaccurate," Ms. Williams said. "Then you're ready should you want to make a major purchase later in the year."

Ms. Williams is a big fan of dusting off your budget and your debt repayment plans in the spring.

"Your budget is nothing more than your financial GPS," she said in a reference to the global positioning systems available to navigate some vehicles. "You wouldn't go on a trip without a road map or a plan, and you shouldn't do that with your finances either."

The main thing to look for in a revised budget is ways to reduce spending, she said. That frees money for saving or paying down debt.

Ginita Wall, a certified financial planner based in San Diego, suggested that there were

lessons to be learned in that traditional rite of spring -- the preparation of federal and state income tax returns.

"If you had trouble getting your documents together, set up some empty file folders or envelopes to put this coming year's tax receipts in as you receive them so next year's tax season will be easier," she said. One envelope could be for charitable donations, another for medical expenses, another for qualified educational expenses.

"Spring is also a good time to clean out your 401(k)," Ms. Wall said.

That means that you -- perhaps with the help of a financial adviser or a trusted friend who is savvy about investing -- should look at how your savings are invested and rebalance the account. This could be done by shifting some of your savings from, say, stock funds to bond funds or by deciding to redirect where your new money is going, Ms. Wall said.

"It's also a good time to check the limits" on retirement accounts, she said. "Are you putting in as much as you can? You should look at the maximum your company allows -- and the maximum your budget allows you to put in," she said.

Ms. Wall said consumers who aren't maxing out their 401(k) and other retirement accounts should "have your company take out an extra 1 percent or 2 percent or 3 percent" to increase their contribution -- especially if they've gotten a raise in recent months.

"You're probably not going to miss that 1 percent or 2 percent at all," Ms. Wall said.

Ms. Wall, who is a co-founder of the Women's Institute for Financial Education, or WIFE, also believes that spring "is a good time to renew and revitalize your New Year's resolutions -- the ones that went by the wayside by Jan. 21 -- or commit to new things."

This can include committing to enrolling in a financial course at your community college or setting some new money goals, like cutting down on the amount you spend eating meals out.

"Huge life goals are important, and you should have them," Ms. Wall said. "But the trick with resolutions is to break those big goals down into smaller steps that are achievable."

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