

## **Organizing Your Financial House**

Most people may find the notion of creating (and sticking to) a financial plan about as appealing as completing some long overdue housework. As everyone knows, putting off chores can lead to further procrastination. And, the longer you let things go, the more difficult it will become to pull in the reins. No one enjoys it, but there comes a time when you just have to buckle down, and get that house cleaning done.

Personal finances are a lot like household chores. If you don't pay much attention to *how* you are spending your money, it may be difficult to get a foothold on where you stand financially. If you haven't taken a look at your overall finances lately, now may be a good time to "tidy" things up a bit. Here is a Top Ten list to make the task orderly and worthwhile.

### **Organize the basement.**

1. Many individuals would have some difficulty in rattling off the location of all their important records, documents, and financial statements. Therefore, the first step to getting your financial house in order is to compile a list of your important paperwork. And, more importantly, move that paperwork to a central location.

### **Establish a regular maintenance program.**

2. If you haven't done so previously, set up a budget. Make "paying yourself first"—putting a set amount into your savings and investments every month—a priority. Analyze your current spending habits and plan ahead for large bills and expenses.

### **Consider a complete renovation.**

3. Is it time to rebalance your investment portfolio? You may be at a stage of life that requires different investment tactics. However, before you make any financial decisions be sure to consult with a qualified financial professional.

4. Review your life insurance coverage. The plan you established years ago may need updating to meet your current needs. There are many factors to look at, including changes in your family status, the arrival of a new baby, college funding requirements, retirement savings needs, and changes in your employment status. As you conduct your review, remember to include both personally-owned and employer-provided policies.

### **Refurnish your credit "room."**

5. Look at refinancing your mortgage when mortgage rates are low. There are many options from which to choose and there may be one that will put more money in your pocket now, save you interest payments in the long run, or help reduce your tax liability. Of course, you should always seek competent tax advice before you assume a new mortgage to ensure that it will, in fact, have the effect you believe it will on your tax bill.

6. Transfer credit card balances to lower rate alternatives which may seem to be appearing in abundance as banks and credit card companies seek out your business. Read all credit terms carefully, and remember that credit card finance charges are not deductible on your taxes. Your best move might be to consider paying off your credit card debt, and using the money you save on finance charges to begin a regular investment program.

7. Establish a home equity line of credit that offers a low rate and tax deductibility of interest. You may not need it today, but you can tuck it in your back pocket should the need for it arise in the future.

As you work on your credit "room," you will appreciate the new look you create. It can be especially pleasing to empty it of some credit commitments completely, thus giving your overall budget more breathing space.

### **Look at future "housing" needs.**

8. What accommodations have you made for your retirement? One of the best investments in today's changing world of taxes may be the 401(k) plan, which can provide you with current reduction of taxable income, an excellent savings plan, and tax deferral on earnings. Many employers offer excellent 401(k) contribution matching plans to further enhance the value of this retirement funding vehicle.

### **Dust off your tax records.**

9. No matter what time of year, it's always helpful to your financial strategy to review your taxes. You may want to speak with your tax professional regarding changes you need to make to brighten your tax picture for the current tax year.

**Protect your home.**

10. Update your homeowners policy and make a videotape of your home—both inside and out—as well as your valuables. This will help ensure that your possessions are well documented in the unfortunate case of a loss. Store the tape in your safe deposit box and add to it as the need arises.

Take a good look at your policy, as well as your automobile insurance policy. There may be adjustments you can make, including increasing deductibles; this may decrease your out-of-pocket expenses without damaging your insurance position.

It is always more relaxing to live in a clean and orderly home. By taking the ten steps above, your financial home will become an inviting, enjoyable corner of your life!

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