

SPRING CLEANING

TAX TIME IS A CHANCE TO GET YOUR **FINANCES IN ORDER**



Daniel E. Paige

Tax time means hunting for documents in creaky file cabinets, overstuffed shoe boxes and worn-out envelopes, only to shove them back again once returns are filed. This season, maybe you can get your financial documents in order just as you tackle the rest of your spring cleaning. Then when you're done, ahhh, everything is in its place. A systematic approach works best: gather, organize, shred, take action. Pick a day (or weekend or month) and commit to the task. "Pull the Band-Aid off," says Daniel E. Paige, Director of Financial Planning at Wunder Financial in Westport. "It's an effort outweighed by many benefits."

First, gather all of your account statements, whether paper or electronic. If you don't know what you're looking for, look to your tax return for help. "Lots of people have money sprinkled all over the place," he says. "You can use your 1099s to inform you. They list

the source of your income, gains, interest, distributions and the like."

Bundle similar accounts—savings in one pile, checking in another, retirement in a third, and so on. First, compare fees. Then reduce your number of savings accounts and maximize the interest on your cash stash. Your savings accounts might be earning a small percent interest rate right now, when there's a chance you could earn more in a CD or high-yield savings account. A financial advisor can recommend an account best suited for your individual financial needs. And consider poking around online sites such as *nerdwallet.com* and *bestcashcow.com* to get an idea of what is offered.

Consolidate 401(k)s and other retirement accounts, but consult with an advisor or accountant to avoid costly tax errors. While you're at it, rebalance your asset allocation. If you don't have an advisor, the National Association of Personal Financial Advisors (*napfa.org*) can help you find a fee-only planner nearby.

Do the same with your debt—car loans, credit cards, student loans, mortgage, etc.—with an eye on reducing interest. "I don't think a lot of people understand that they can have lower debt. Look at your statements. With your mortgage, what's the rate and the terms? Is it worth refinancing? With your credit card, look at the fees, the interest and the benefits.

Is there an old card that you're not using anymore? Is it worth getting a new card?" Paige says.

Online calculators, such as on *bankrate.com*, let you compare mortgage variables. *Wallethub.com* helps you compare credit card rates, fees and features. While you're online, order a free annual credit report, just to make sure everything is in order. Look to *annualcreditreport.com*, the only website authorized by the Federal Trade Commission for a free report.

Track your budget. (The free tool *mint.com* can help.) "Even for many high-net-worth folks, there's an emotional stress to spending. You might feel a sense of deprivation" if you don't buy what you want, Paige says, but spend too much and your pile shrinks too fast. You'll need to

know how much you take home, after taxes, retirement funding and everything else. In these days of direct deposits, many people aren't paying attention to how much actually gets deposited. Then, gather a year's worth of credit card and bank statements to see where your money goes. Try not to judge; you're on a reconnaissance mission. Consider a bucket approach: Create goal-specific accounts (include fun purchases) and automatically fund them each month. X goes into the recurring bills fund, Y into the new car fund, Z into the vacation fund. The key is to automate the savings. **W**

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SHRED IT AND FORGET IT

WHAT SHOULD YOU KEEP?

- » Seven years of tax returns and supporting documents
- » One year of bank statements
- » Your annual credit card statement
- » Shred your old insurance policies when the new ones arrive.
- » Hang on to your home-improvement receipts at least until you sell your house, and then treat them as tax-supporting documents.
- » Keep annual 401(k) statements until you retire.

