



FOUR WAYS TO SHAPE UP YOUR MONEY

Spring is the Perfect Time to Refresh Your Finances

GREENWOOD VILLAGE, COLORADO—Spring is in the air—a time to renew and refresh our wardrobes, our lawns...and our money.

“Now is the perfect time to dust off your finances, take a fresh look at them and make some adjustments,” says Ted Beck, president and CEO of the National Endowment for Financial Education® (NEFE®). “Especially in uncertain economic times, the more you take charge of your finances, the better you will weather a downturn.”

Beck suggests four easy ways to shape up your finances this spring:

1. Review and analyze where your money goes.

Unless you requested an extension, you have completed the daunting task of filing your 2007 tax return. But have you analyzed it for things to do differently in the year ahead? “Two things to look for are owing a lot of money in April or getting a large refund,” Beck says. If you owed more than anticipated, you may need to have additional money withheld from your paycheck or look for ways to reduce your tax liability, such as saving more money in a tax-deductible retirement account. A large refund, on the other hand, may indicate too much money was withheld unnecessarily—money that could have been earning interest in your savings account instead. In addition, if you were unable to take a deduction for items like medical bills or charitable gifts because you forgot to keep the necessary records, set up a system to do that, starting today.

If money slips through your fingers like water, consider it a warning light to keep better track of your expenses and cut back in a few places. Go to www.smartaboutmoney.org and download the *Tracking Your Expenses* worksheet to help you monitor everything you spend, from your utility bills and gifts to lattes and lunches. A closer look may reveal opportunities to reduce spending and save money in ways you never thought possible. “As you look at your spending habits, ask yourself if you are buying things you really need, or merely ones that you wanted,” Beck suggests. “Did you shop around for the best deal or buy on impulse? Did you use coupons or ask for discounts? How you respond to these questions will tell you if you need to rethink some of your spending habits.”

It’s always important to keep an eye on your investments. You may not want to lose sleep by watching every move of the stock market, but don’t ignore your investments either. Periodically evaluate them by asking the following questions: Given market conditions,

are your savings and other investments earning a reasonable return? Are they balanced and diversified? Does your portfolio reflect your goals, time frames and tolerance for risk? If you're uncertain how to answer these questions, consider having your investment portfolio evaluated by a financial planner. "Before hiring an advisor, interview several, get references and make sure you understand how the planner is compensated," Beck recommends.

Now is also a great time to update your insurance. In the past year, have you looked over your policies to confirm that you and your property are adequately covered? When premiums are due, do you check around to see if you can get a better deal from another insurer? Have you considered the pros and cons of saving money by raising your deductible? If you haven't done these things recently, add them to your spring to-do list; you might save some significant money in the process. In addition, double-check your life insurance beneficiaries. Are they still the people you want to receive the payout? If not, contact the insurance company for a change of beneficiary form. "The same holds true for the beneficiaries of your retirement plans, annuities and bank accounts that have a payable-on-death provision," Beck says. "It's important to keep these designations up to date because they generally override a will."

2. Organize your financial records.

While you're organizing your tax records, spend a few hours locating and filing your other financial and legal documents. As you're collecting your paperwork, determine which documents you can store at home and which you should put in a safe deposit box at a bank. In general, records that would be difficult to replace—such as birth certificates, Social Security cards, car titles and insurance policies—should be kept in a bank safe deposit box. As a backup, photocopy important documents and keep them close at hand, so that in an emergency, you could quickly grab them on the way out the door.

If the spring cleaning urge has you itching to throw away paperwork, think first if you would ever need the information to file an insurance claim, answer a tax question or handle a legal issue. For example, basic legal documents and your tax returns should be kept indefinitely. Information to support your income tax returns, such as cancelled checks and receipts for deductible expenses, should be kept until the chance of an IRS audit passes—in general, seven years following the date when the return was filed. IRS publication 552, *Recordkeeping for Individuals*, has useful information about the records you should keep for tax purposes. Go to www.irs.gov and search under "Forms and Publications."

3. Rein in debt.

"In any economy, but especially in a turbulent one, too much debt can quickly spiral into a very serious situation," Beck warns. Signals that your debt may be in the danger zone: You pay late or can afford only the minimum payment on your credit card balances each month; you run your cards up to their maximum limits; you juggle debt among several accounts, borrow from your retirement savings or take out another loan to pay debts. If

you find yourself in one of these situations, Beck suggests calling your creditors to ask for a lower interest rate, or to work out a repayment plan. If you have several credit cards, give priority to paying off the card with the highest interest rate first. Another option is to work through a nonprofit credit counseling service to negotiate with your lenders. To check how your debt has affected your credit health, you can order a detailed summary report from the three major credit reporting agencies—Equifax, Experian and TransUnion—by visiting www.annualcreditreport.com or calling 877-322-8228.

Another debt hitting Americans hard these days is home mortgages. “If you are struggling to pay your mortgage or are being threatened with foreclosure, take action immediately,” Beck urges. Call your lender as soon as you realize you have a problem to discuss options. Another source of assistance is nonprofit housing counseling agencies approved by the U.S. Department of Housing and Urban Development. Call 800-569-4287 or go to www.hud.gov to learn more.

4. Plan for the future—and the unexpected.

Whittling down debt is just one side of the money equation. Saving money is equally important because without savings, you could be hard pressed to handle an unexpected financial emergency. “Set a goal of saving between three to six months of living expenses in an emergency fund,” Beck suggests. “If you don’t think you can put this amount away, revisit your spending habits to see where you can cut back.” Here’s one easy way to save a few bucks: Every day, drop your loose change plus \$1 in a jar. At the end of the month, you could have \$50 or more to deposit into your savings account.

Remember to focus on long-term goals as well. No matter what your age, it’s never too early or too late to start saving for your retirement. “If you have a retirement plan at work, one of the smartest financial moves you can make is to take full advantage of matching contributions from your employer,” Beck says. “If your employer matches \$1 for every \$2 you contribute, for example, that’s like getting a 50 percent return on your money.” If you’re self-employed or don’t have a company retirement plan, set up an Individual Retirement Account (IRA), Simplified Employee Pension (SEP), or other retirement savings plan this spring and make it a top priority to save the maximum possible in it.

“Looking at these four areas of your financial life in the context of your goals is how you put together a financial plan,” Beck concludes. “A financial plan begins with your goals, determines where you are now in reaching them, and outlines next steps. Think of a financial plan as a roadmap for your future, and spring is the perfect time to get started.”

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