

---

Spring is a good time to organize your finances, clean up debt and credit issues, consolidate old accounts and develop good habits to work toward your goals.

---

# SPRING CLEAN YOUR FINANCES

## Overview

Do you have a space in your house in constant need of organizing? You know the one: the space where clutter seems to accumulate and visitors are never, ever allowed to see.

We often want to tidy up this area of our lives but keep putting it off. However, simply knowing there's an undone task takes up precious real estate in our brains, a phenomenon known as the Zeigarnik effect.<sup>1</sup>

Most of us have probably experienced the Zeigarnik effect. It's when you start working on a task but quit before it's done — and then find yourself thinking about it even after you've turned to other projects. It's as if checking off a task from your list closes it in your brain; if the task stays open, it lingers until it's addressed.

## Time to Check off Undone Tasks

As the weather gets warmer, we often turn to the tasks we've left undone or half-done all winter. Many of these are home-related chores: cleaning out closets, organizing the garage, tackling the storage room where all the holiday decorations need to be put away. We call this frenzy of activity "spring cleaning," and it's spurred by the wish for a fresh space in a fresh season.

Spring cleaning doesn't just have to be about organizing your physical space. We recommend spending some time tackling those undone tasks in your financial space as well. Doing so can help close those tasks in your brain and leave you space to think about other things.

**"A place for everything, everything in its place."  
-Benjamin Franklin**

## Your Financial Spring-Cleaning List

Here are some tasks you could add to your financial clean-up list:

### **Address your spending**

Many folks are spending too much or spending on unnecessary items. To help you determine what's necessary and what's not, review your past six months of expenses. Are you still being billed for subscriptions or memberships you no longer use? Are you paying more than you thought for recurring expenses like insurance or utilities? This is a good time to shop around for better prices or eliminate items you no longer need.



### **Check your credit score**

It might be a good idea to check your credit score at least once a year to see where you stand and make sure there's no incorrect information or fraudulent activity. You are entitled to a free annual credit report from each of the three major credit reporting agencies: TransUnion, Experian and Equifax. You can request all three reports via the government-authorized website [www.annualcreditreport.com](http://www.annualcreditreport.com).

And speaking of your credit: Did you know that canceling credit cards may negatively impact your credit score? It may be better to put them in a drawer and stop using them. Another strategy is to put a small, recurring expense on autopay on cards and then pay off the balance each month. This keeps the card active and contributes positive information to the credit agencies each month. It also keeps additional charges from hitting a card on which you're paying off the balance.

### **Track down your employer retirement plans**

On average, American workers change jobs every 3.5 years and hold 12 jobs over a 40-year career.<sup>2</sup> Even if you participated in the company retirement plan at only half of those jobs, you could have quite a trail of 401(k)s, 403(b)s or Thrift Savings Plans (TSPs) left behind. In fact, it's estimated that there's \$1.65 trillion currently sitting in forgotten 401(k) accounts.<sup>3</sup>

Now's a good time to clean that up. You may be able to roll assets from former employers' plans into your current plan, or you could roll them into an IRA. If you have multiple IRAs, you might consider consolidating them into one for ease of tracking performance, managing fees and taking required minimum distributions (RMDs) during retirement. You may also want to have a traditional IRA and Roth IRA to diversify your tax liability when you start taking withdrawals later.

### **Modernize your filing system**

If you're holding on to paper documents, now's a good time to digitize your files. Sign up for paperless documentation on all your accounts and opt in to receive statements, policy documents and other important information electronically. Shred outdated receipts and other documents you no longer need. The IRS recommends keeping tax returns and related documents for three years after the date of filing.<sup>4</sup>

Consider setting up a cloud system (like Google Drive or Dropbox) to organize and save important electronic documents. There are two good reasons to adopt a cloud filing system: Your files remain safe even if disaster strikes your home, and you don't have to transfer files every time you buy a new computer.



### **Do an insurance inventory**

A good spring cleaning should also include an insurance checkup to make sure you have the appropriate amount of insurance coverage for your home, vehicles and other property. It's also a good time to create an inventory of your belongings. You can do this by taking videos or photographs of the items you own. Upload documentation and receipts for your items to your cloud filing system. This will make it much easier to replace items in case of a disaster.

### **Review your policies**

When was the last time you reviewed your policies to make sure your money will be easily transferred where you want it to go? Check the beneficiary designations on your will, life insurance policies, annuities, checking and savings accounts, and other investments to make sure they are aligned with your wishes. You'll also want to double-check that your beneficiaries' information is up to date and accurate.

Other legal documents to complete during your spring clean-up include:

- Advance medical directive – details treatment preferences and appoints a person to make decisions about your medical care if you're unable to do so
- Living will – details what you want to happen if you're alive but incapacitated
- Financial power of attorney – assigns a personal legal authority to act on your behalf for financial issues

## **Final Thoughts**

We'll admit: Financial spring cleaning can take some time. It's a good idea to make a list of tasks and tackle them one by one.

It's also important to recognize that you don't have to do all your financial spring cleaning alone. It's good to work with an experienced financial advisor as well as tax and legal professionals who can help you update beneficiaries, understand what documents to keep, consolidate accounts or simply think of things you may not have considered.



<sup>1</sup> Kendra Cherry, MEd. VeryWell Mind. Jan. 1, 2024. "The Zeigarnik Effect and Memory." <https://www.verywellmind.com/zeigarnik-effect-memory-overview-4175150>. Accessed Feb. 7, 2024.

<sup>2</sup> Elsie Boskamp. Zippia. Feb. 9, 2023. "21 Crucial Career Change Statistics [2023]: How Often Do People Change Jobs?" <https://www.zipppia.com/advice/career-change-statistics/>. Accessed Feb. 7, 2024.

<sup>3</sup> Scott Woolridge. Benefits Pro. Aug. 3, 2023. "The true cost of 'forgotten' 401(k) accounts: \$1.65 trillion." <https://www.benefitspro.com/2023/08/03/the-true-cost-of-forgotten-401k-accounts-1-65-trillion/?sreturn=20240108105318>. Accessed Feb. 8, 2024.

<sup>4</sup> Intuit TurboTax. Jan. 12, 2024. "How Long Do Federal and State Tax Returns Need to Be Kept?" <https://turbotax.intuit.com/tax-tips/tax-planning-and-checklists/how-long-do-federal-and-state-tax-returns-need-to-be-kept/L43GK2Wcs>. Accessed Feb. 7, 2024.

*This content is provided for informational purposes. It is not intended to be used as the sole basis for financial decisions, nor should it be construed as advice designed to meet the particular needs of an individual's situation. None of the information contained herein shall constitute an offer to sell or solicit any offer to buy a security. Individuals are encouraged to consult with a qualified professional before making any decisions about their personal situation. The information and opinions contained herein provided by third parties have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed by AE Wealth Management. Neither AEWM nor the firm providing you with this report are affiliated with or endorsed by the U.S. government or any governmental agency. Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. AE Wealth Management, LLC ("AEWM") is an SEC Registered Investment Adviser (RIA) located in Topeka, Kansas. Registration does not denote any level of skill or qualification. The advisory firm providing you this report is an independent financial services firm and is not an affiliate company of AE Wealth Management, LLC. AEWM works with a variety of independent advisors. Some of the advisors are Investment Adviser Representatives (IARs) who provide investment advisory services through AEWM. Some of the advisors are Registered Investment Advisers providing investment advisory services that incorporate some of the products available through AEWM. Information regarding the RIA offering the investment advisory services can be found at <http://brokercheck.finra.org>.*

02/24-3381896

