

Winnipeg Free Press - PRINT EDITION

Money Matters: Spring cleaning, financial style

It still feels like winter, so instead of gardening this weekend, why not do a little weeding through that cabbage patch called your finances?

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Posted: 04/13/2013 1:00 AM | Comments: 0



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(KRT)

It's a little unfair. We should be contemplating cleaning up the yard after months of the white stuff, but Old Man Winter refuses to take his snowball and go home. So we're stuck inside a little bit longer, maybe going a little batty after six months of winter.

For those with idle hands, they can try a little indoor spring cleaning to keep those paws busy.

And why not start with a little cleansing of all the financial to-do list items sitting in a pile on the desk you've overlooked so long they've become invisible?

If you're looking for places to start, some 'neat freaks of money management' can offer guidance to tidy up your household

finances.

A new world of order

It sounds like elementary, but getting your finances organized -- the bills, the statements, the tax forms, etc. -- can quickly become a dauntingly tedious task. Julie Jaggernath with Credit Counselling Society in Vancouver says the best way to overcome inertia is to stop thinking and start doing.

It's more than likely you've got a pile of unopened mail from the bank or statements you've been jamming into a filing cabinet. Each time you squeeze in another statement, you might think "I should organize this." And then you might think "mañana." (That's "tomorrow" in Spanish, a favourite term for procrastinators.) But if you'd only just dive in, chances are you'd finish the job even if it might take longer than you assume.

Since it's tax time, start with your tax-related paperwork. Even if you have already filed for the year, you can go into the filing cabinet and weed out the returns that go back longer than seven years, says Karen

Richardson, a Kenora-based fee-only planner and money coach with Money Coaches Canada. Even for the current year, you can get rid of most of your monthly bank statements, says Jan Fraser, a Winnipeg-based certified financial planner (CFP).

You only need to keep quarterly statements for your records. Buy a hole-punch and some thick binders, insert the statements and file them away. Fraser says it's also a good idea to pay attention to your electronic financial statements too, not just what's in the desk drawer. "De-clutter electronic files that seem to multiply so readily on our personal computing devices," says the adviser with Fraser and Partners Financial Strategy. "Delete files that contain personal or financial information that is no longer relevant."

Tighten up security

While you're in cleaning mode, you should sweep up the digital paper trail you might have littered all over the web in the last few years. If you have online accounts -- financial or not -- that have not been used in a long time, it's best to close them. The less personal data floating about on the web, the less likely it is that it will fall into the hands of online miscreants.

One obstacle for most folks, however, is that it's likely been so long since they've logged into some accounts that they don't remember their usernames and passwords. Fraser recommends getting a master password account manager that holds all your username password information for all your online accounts. "There are several of these on the market, but we really like LastPass, which is available at nominal cost," she says, adding it uses encryption to protect your data. "Such a tool allows you to store your passwords so that you don't have to try to remember them all, and there is also a feature that allows you to randomly generate passwords." After all, how many variations of your pet's name can you use for passwords?

Trim the budget...

That New Year's resolution to spend less and save more might have died a few days into 2013. But spring is all about rebirth, so there's no better time to resurrect those good intentions. Start with examining your recent bills.

"Look at the amounts you are paying -- are they higher than last year?" says Richardson. Update your spreadsheets if you use them to keep track of your finances. If you don't use a spreadsheet, you may want to start if you find making ends meet difficult. "The important thing is to get at the real numbers and see what it is all costing you every month," she says.

Budgeting is an ongoing process. You need to keep track of your money fastidiously to make real progress, and don't let impulse spending send you off track. "Use the five-five-five rule," Jaggernath says. "When you're tempted to spend impulsively, ask yourself how you'll feel five hours after the purchase, five weeks later when you see the item on your credit card bill, and five months later if you're still trying to pay for it."

Save yourself!

The main reason for budgeting isn't to avoid running a deficit and racking up debt like a southern European nation. It's to find savings so that money can be set aside for the future. Even if you're sailing on an even keel financially, you may want to consider boosting your savings this spring, says Ted Rechtschaffen, a CFP with TriDelta Financial in Toronto. If you haven't maximized your TFSA -- now \$5,500 a year -- and you have the money to do so, you should seriously consider this: Over the next 20 years, you're missing out on an opportunity to contribute tens of thousands of dollars that can grow into

hundreds of thousands, leaving you with a substantial amount of tax-free loot to spend as you please. It's truly a case of short-term, minor pain for long-term -- potentially fat -- capital gains if you invest wisely. For grandparents, he says they should consider helping out the grand-kids by contributing to their RESPs. By contributing up to \$2,500 a year per child, the government will throw in another 20 per cent to a maximum of \$500 a year.

Emotional rescue

Money sense is supposed to be all about rational behaviour, but financial decisions often involve anything but sensible behaviour for a good number of people. There's just so much emotion tied up in money, says psychologist Moira Somers with Winnipeg-based Money, Mind and Meaning.

"Spring cleaning is all about seeing the yucky stuff that wasn't previously evident in the dull light of winter, and making a choice to get rid of it so as to make room for better things," she says. "In the domain of personal financial change, it's much the same thing: Becoming aware of -- really seeing -- the habits and beliefs about money that haven't been serving us well, and making a decision to let those things go."

Here are a few examples of money hang-ups that people often need to overcome: Guilt over bad financial decisions in the past; the tendency to bail out adult children every time they ask for rescue; a self-description of being "bad with money" or "clueless about investments," and a habit of emotional spending.

Risk management and the afterlife

We can't take it with us, but we can make sure our money helps others after we're gone. "Dust off the old will," says a financial planner Patrick O'Connor with Blackwood Wealth Planning in Winnipeg. "Does it still make sense?" Are the executors you established 10 years ago still relevant? Did you properly deal with the family cottage? "Perhaps, you can now look at making charitable bequests because your situation is different." And if you don't have one, make getting a will your biggest spring cleaning project. Better to decide now how to split your earthly belongings after you're gone than leaving that task to the government.

And while you're contemplating the financial aspects of your mortality, you might want to give your insurance needs a little once-over this spring. "When was the last time you looked at the beneficiaries to make sure they are still the correct people?" O'Connor says. "Or to see what has changed in your situation and if the types of plan and amount of coverage you have are appropriate?"

But you shouldn't just worry about the end. Disability is of equal concern, says Doreen Sigurdson, a financial planner with Edmond Financial Group in Winnipeg. "Most of us have some level of life insurance, but how about if you're injured or ill and cannot return to work for an extended period," she says. "When you think of it, disability -- the inability to earn an income -- could be the worst thing that could happen to your financial security." Critical illness insurance, which pays a lump-sum benefit upon diagnosis of serious illness, is often overlooked. "Most workplaces have limited or no coverage for critical illness, and disability coverage is often inadequate for the person's needs, and many people can benefit by topping up work plans and extending the benefit period through their own coverage."

Like all loose ends in life, you'll probably be pretty thankful you decided to address the financial frays of today instead of ruing later in life that you didn't because you thought, "manana" and forgot about it until it was too late.

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