

Five Steps to Organizing Your Finances

Do you know your net worth? Or how much you spend each month, and on what? Or how much you can expect from your pension plan or Social Security in retirement?

A "no" to most of these questions puts you with the majority of the population who have been too busy with life to get a handle on their finances.

Fortunately, there's a five-step action plan to help you take control of your money.

1. Set up a financial filing system. Create a personalized filing system by labeling accordion file pockets with broad financial categories. Then label regular file folders with subcategories that fit your situation and file them into the accordion pockets. For example, create a Property & Casualty Insurance accordion file and fill it with a Vehicle Insurance regular file folder.



2. Gather records. Look through your records to identify missing information. For example, you need an estimate of your Social Security retirement benefits. To request one, contact the Social Security Administration at 800-772-1213.

Gather copies of your health, disability, life, homeowners, and vehicle insurance policies, and get a copy of your credit report. Contact the three national credit bureaus for information about how to request a copy of your credit report and how to correct any errors you find (Experian 888-397-3742, Equifax 800-685-1111, Trans Union 877-322-8228).

3. Size up your situation. Add the estimated current value of all assets, including your home, car, personal property, savings, investments, and retirement accounts.

Next, add all liabilities, including mortgage, credit card balances, and any other outstanding debt. Then subtract liabilities from assets to figure net worth.

Then, make a list of income and expenses by reviewing paycheck stubs, checkbook register, and credit card statements from the past year. Finally, track spending for a month by saving all receipts or recording cash purchases in a notebook. A spending plan form or money management software program helps organize spending by category.

4. Chart a course. Set financial goals--long-term and short-term--and figure how much money you'll need for each. Create a target saving and spending plan that meets needs using your list of income expenses. For a month or more, track actual spending to see how you're doing, making changes as necessary.

5. Brush up on money management basics. Visit eecu.org or call Jan Smith at 817-882-0440 for more information about how to save and spend finances wisely.



Jan Smith



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