Time for Some Financial Spring Cleaning

Spring is in the air, even if it’s not quite there on the calendar. This year, as you shake off the cobwebs from winter and start tidying up around your home and yard, why not also do some financial spring cleaning?

Actually, you can apply several traditional spring cleaning techniques to your financial situation. Here are a few ideas:

• Look for damage. Damage to your home’s siding, shingles and foundation can eventually degrade the structure of your home. Your investment portfolio is also a structure of a sort, and it, too, can be damaged. Specifically, you may have deliberately constructed your portfolio with an investment mix – stocks, fixed-income vehicles, cash instruments, etc. – that’s appropriate for your goals and risk tolerance. But over time, your portfolio can evolve in unexpected ways. For example, your stocks may have grown so much in value that they now take up a larger percentage of your holdings than you had intended, possibly subjecting you to a higher degree of risk. If this happens, you may need to rebalance your portfolio.

• Get rid of “clutter.” As you look around your home, do you see three mops or four nonfunctional televisions or a stack of magazines from the 1990s? If these items no longer have value, you could get rid of them and clear up some living space. As an investor, you also might have “clutter” – in the form of investments that no longer meet your needs. If you sold these investments, you could use the proceeds to fill gaps in your portfolio.

• Consolidate. Do you keep your lawnmower in a shed, a rake in your garage, and your gardening tools in the basement? When working on your outdoor tasks, you might find it more efficient to have all these items in one location. You could also have your investments scattered about – an IRA here, a new 401(k) there, and an older 401(k) someplace else. But if you consolidated all your investments in one place, you might cut down on paperwork and fees, and you wouldn’t risk losing track of an asset (which actually happens more than you might think). Even more importantly, when you have all your investments with one provider, you’ll be better positioned to follow a single, centralized investment strategy.

• Prepare for a rainy day. As part of your outdoor spring cleaning, you may want to look at your gutters and downspouts to make sure they are clear and in good repair, so that they can move rainwater away from your home. Your financial goals need protection, too, so you’ll want to ensure you have adequate life and disability insurance.

• Seal leaks. In your home inspection this spring, you may want to investigate doors and windows for leaks and drafts. Your investment portfolio might have some “leaks” also. Are investment-related taxes siphoning off more of your earnings than you realize? A financial professional can offer you recommendations for appropriate tax-advantaged investments.

This spring, when you’re cleaning your physical surroundings, take some time to also tidy up your financial environment. You may be pleased with the results.

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