



Financial Spring Cleaning

Ah, spring is here. It's time for the weather to get warmer, time for the flowers to bloom and time for you to file your tax returns.

Once you've filed, you'll be ready to toss those paper records as part of your spring cleaning routine, right? If you don't know what you should keep or shred, Accel offers tips to help you clear away the clutter.

What to Keep

- Keep your **income tax returns** and supporting documents for a minimum of three years. If you're self-employed, keep supporting tax documents for six years. Once the time elapses, shred them.
"Place back tax returns in a locked file cabinet or safe," says Dorothy Barrick, Accel financial counselor. "If that is not an option, use a permanent marker to block sensitive information like social security numbers or account numbers. You don't want old tax returns to fall into the wrong hands. Don't risk becoming a victim of identity theft."
- Save **year-end investment statements** for at least three years. Hold onto quarterly statements until you receive your annual statements and have confirmed that the numbers match. Be sure to keep records that show the initial purchase price for stocks and mutual funds so you can calculate your basis when you sell them.
- Keep records pertaining to your **house** as long as you live in it. Records showing your purchase price, and what you spent on improvements, may help when trying to prove the value of your home to potential buyers. After selling, keep documents for three years.
- Hold onto records showing how much money went into and came out of **Individual Retirement Arrangements (IRAs) and 401(k)s** — especially if you've made any nondeductible contributions — so you don't overpay taxes when you withdraw the money.

- Keeping **financial records** helps you track your spending, create budgets and provide proof of payment when needed. Keep financial statements and cancelled checks for one year unless you are using them for tax purposes, then keep them for three years.
- If you have **loans and certificates of deposit**, store the original documentation somewhere safe and keep the most current statements. When loans are paid off, or accounts are closed, shred the records.
- Hold onto **sales receipts** until the product warranty or the return/exchange period expires. If you need sales receipts for tax purposes, keep them for three years.
- Keep paid **medical bills** for one year so that you can see if they qualify for a deduction on your tax forms. Typically, medical and dental expenses exceeding 7.5 percent of your income qualify. Check IRS Publication 502 at www.irs.gov for more information.

What to Toss

- **Financial receipts** such as ATM receipts, withdrawal and deposit slips, debit and credit card receipts can go through the shredder, after you've checked them against your monthly statements.
- Keep **paycheck stubs** only until you receive your Form W-2 at the end of the year, then shred them.
- You can get rid of paper copies of most **monthly bills** — for things like credit cards, utilities and cable TV — unless you need them for tax purposes, then keep them for three years.

Getting rid of financial clutter from your life will help keep your financial path clear. Don't forget to revisit your filing system from time to time. Having an occasional "shred fest" is as good for your spirit as it is for the integrity of your record-keeping system. For information on keeping good records, check IRS Publication 552 at www.irs.gov.

How Much Will I Need?

A successful retirement savings plan starts with a few key points. Saving and investing for retirement doesn't have to be complicated, and there are plenty of good and reputable financial advisors out there to assist you along the way. The key is to determine how much you'll realistically need and then develop a plan to achieve your goal.

When setting your retirement goal, Accel recommends that you:

- Focus on what you can control — how much to save and where to invest it.
- Create a plan so you can track your progress.
- Understand how much you'll receive in Social Security, pensions, etc.
- At semi-regular intervals, monitor your plan and adjust as necessary.

Begin by considering the lifestyle you envision in retirement. Most experts say you'll need roughly 70% to 80% of your current annual income to live comfortably. This could include sources such as Social Security and maybe a company pension, but it's wise to conclude that your personal savings needs to be a significant source of income for you during retirement. It's best to have a variety of assets to rely on during retirement — Social Security, personal investments, employer pensions, real estate, bonds, etc.

Determine how much to save

If you're not sure how much is enough, spend some time using a retirement calculator, such as this one:

- www.aarp.org/work/retirement-planning

These calculators will give you a starting point for understanding how much you will potentially need in your retirement years. You may try increasing your savings amount to see how much more you could have.

You may also ask your credit union if they have a financial advisor available that can help you write a plan for your retirement years. Remember that saving for retirement contains two important components — how much you save, and how regularly you do so.

If you adopt an automatic investment plan, you'll invest the same amount of money at regular intervals over a specific time frame, regardless of share prices. Known as dollar-cost averaging, this strategy helps you avoid trying to time the market and enables you to benefit from the effects of compounding returns.

Consider your retirement costs

Your retirement costs can be influenced by many factors, from everyday living expenses, to health care, to how often you plan to travel. And don't overlook the effects of inflation on your savings. You may need more than you think to achieve a comfortable retirement.

In conclusion, it's important to annually review your plan to help keep your savings amount and investment choices on track to meet your retirement goals. If they're not, you may need to increase your savings, rebalance your investments, or rethink your expectations for living in retirement.

Pay Yourself First

If there's one personal finance lesson or skill that everybody should learn as early in life as possible, it's this one — pay yourself first. The "Pay Yourself First" concept is by no means a novel one. It has been touted by many financial experts and personal finance advisers as an effective strategy to staying out of debt and building assets. Simply put, paying yourself first means regularly setting aside a portion of your income for savings, even before you even start to tackle the bills. While this may seem like a tall order for those who just live from

paycheck-to-paycheck, paying one-self first has actually worked successfully for many households.

Establish a budget based upon only 90% of your available income. Thus, you are removing 10% of it off the top. This amount should be placed aside in some sort of savings or investments plan. With time, this amount will grow larger and eventually grow to an amount you can allocate to some type of investment. This money should be exclusive of any money going into a regular retirement or investment plan.