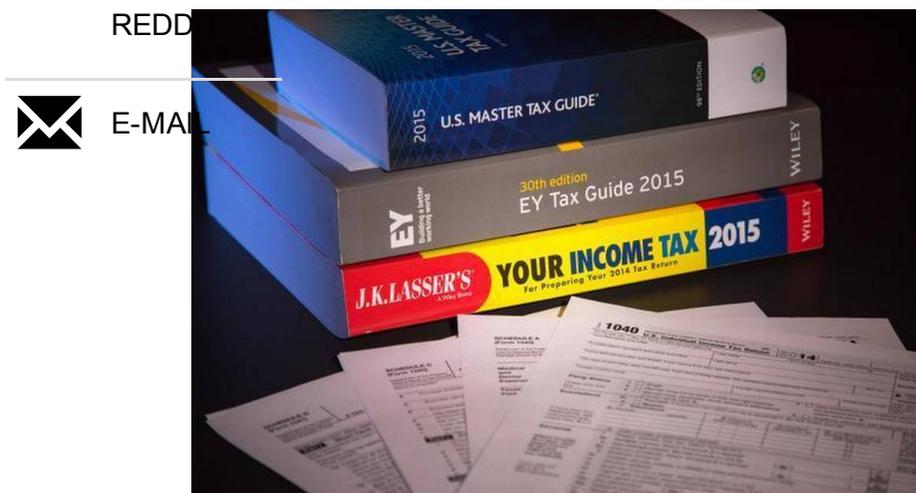


**THE KANSAS CITY STAR.**  
kansascity.com

# Money Matters: Spring cleaning includes your finances too

BY ERIC JONES - FINANCIAL PLANNING ASSOCIATION OF GREATER KANSAS CITY -

03/18/2015 10:25 AM | Updated: 03/18/2015 10:31 AM



J. DAVID AKE / AP

We started this month with snow on the ground, but warmer weather is on its way. The defending American League champions are warming up in Surprise, Ariz., and children (and their parents) are ready to start playing outside in the evenings again. Of course, that also means that it is time for some spring cleaning. This year, in addition to cleaning and organizing your house, you may want to spend some time tidying up your finances. Here are a few tips:

## 1. Cut your 2014 income taxes

It is not too late to have a big impact on your 2014 income taxes. You can make IRA contributions for the 2014 tax year until April 15, 2015. If you are under 50, you and your spouse can each contribute up to \$5,500. Those over 50 can contribute an additional \$1,000 each. If you do not have a company retirement plan, you can usually deduct the entire amount of your contribution.

Even if you cannot make a deductible IRA contribution, you can still make a Roth IRA contribution or a non-deductible IRA contribution, depending on your income level. In both cases, you will not be able to deduct the contribution today, but you will benefit later. With a non-deductible IRA you will not have to pay tax on the growth until you ultimately withdraw it. With a Roth IRA you will never have to pay tax on the growth.

If you believe that your taxes will be higher in the future, then consider making Roth IRA contributions instead of an IRA contribution. The limits and the deadline are the same.

## **2. Put your tax refund to work**

The average federal tax refund in 2013 was about \$3,000. The average household has over \$7,000 in credit card debt, and less than 40% of households have an emergency fund that will cover three months of normal expenses while most households should have at least three to six months saved. Why not use your tax refund to pay off your credit card debt or add to your emergency fund? If your refund is not enough to do both, then split the difference and put half of it into an emergency fund and use the rest to pay down your credit card debt.

If you already have an emergency fund and do not have high interest debt, then consider saving your refund for longer-term goals (car, house, college, retirement). You can even use it to make an IRA contribution for last year or this year.

## **3. Stop loaning money to the government**

While it may feel nice to get that refund, do not forget that a refund is the equivalent of making an interest-free loan to the government. Based on the average federal tax refund in 2013, the average household took home \$250 per month less than they could have.

If you get a large refund when you file your taxes, why not reduce your tax withholding and save the extra take-home pay either before taxes, by contributing more to your retirement plan account, or after taxes by paying down debt or adding it to your emergency fund?

## **4. Clean out those closets**

Before storing away all of your winter clothes (or your kids' winter clothes), consider whether or not you will really wear them again next year. If not, then consider selling them at a garage sale or at a consignment sale or store. Better yet, donate the clothes to your favorite charity. If you choose

to donate your clothes, make sure to get a receipt so that you can deduct the donation when you file your 2015 income taxes.

Give the same consideration to clothes that you are unpacking for spring and summer. If you or your kids will not wear the clothes, then sell or donate them.

## **5. Organize now for your 2015 taxes**

We get receipts for charitable contributions, business expenses, and medical expenses throughout the year. Rather than waiting until January to search for them and risk losing them, start a folder now so that you can save those receipts as you get them.

## **6. Review your insurance**

Are you a former smoker? If you have kicked the habit, then you may be able to replace your life insurance and save a lot of money.

Have you been with the same property and casualty insurance company for years? Ask your agent to review the dwelling coverage on your home. You could be overinsuring, or underinsuring, your house. You may even want to get quotes from another reputable company or two to see if your rates are still competitive.

## **7. Review your investments**

Do you have investment accounts at four different brokerage firms and retirement plans with three former employers? Consider consolidating the accounts. This will make it easier to manage your investments and it will reduce the amount of paperwork that you receive every month.

## **8. Hire a financial planner**

It is always important to know what you do not know. If taxes, insurance, investments and saving for retirement are beyond your level of expertise, then consider hiring a Certified Financial Planner to help. There are planners that work with all types of clients. You may or may not write a check for their services, but make sure that you know exactly how they get paid.

*Eric Jones is a member of the Financial Planning Association of Greater Kansas City and the Director of Financial Planning at Stepp & Rothwell, Inc., a fee-only financial planning and investment advisory firm in Overland Park.*

