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Create a financial spring-cleaning list

By TIFFANY OWENS

It finally feels like Spring has arrived in Kansas City! Spring is a time of renewal and fresh beginnings and is a great time to review your personal financial situation. In order to better understand your situation there may be a need to educate yourself. To improve financial literacy throughout the Kansas City metropolitan area, in 2008 several area organizations collaborated to create Money Smart Month in Kansas City.

April is Money Smart Month in Kansas City and it is full of events designed to help individuals, families, homeowners, employees and business professionals expand their knowledge through a series of workshops and seminars. Events will be held at different venues throughout the city offering a wide variety of topics including managing your credit score and report, teens and money, estate planning, caring for a senior family member and the unique issues women face in planning for their financial future.

A few things to include on your spring cleaning list of To-Do's: Review your spending / savings spending plan. Take a look at your credit report and check for accuracy. Make sure your estate plan is up to date or get started on creating one.

Creating a budget and sticking to it will help prepare you for those unwanted financial surprises and also help plan for the things you want. It is reassuring to know you have money in the bank and can manage your monthly cash flow. Setting goals and saving consistently will help you reach your goals more effectively. To know how you are spending your money you have to track your expenses. When you know where your money is going, you feel more in control and it is easier to pay bills on time, save for discretionary spending, saving and investing. General guidelines for household expenses as a percentage of income are: Saving 5 – 10%, Housing 20 – 30%, Utilities 4 – 7%, Food 15 – 20%, Transportation 6 – 20%, Clothing 2 – 4%, Medical / Health 2 – 8%, Personal / Recreation 5 – 10%, Debts 15 – 20%.

Do you understand the importance of using credit wisely? A good credit rating can help you reach your financial goals, while a poor rating limits your financial opportunities. When it comes to borrowing for a mortgage, an auto or even credit cards, the higher your credit score, the lower the interest rate you will pay. The best way to maintain a strong credit score is to pay your bills on time and keep debt to a minimum. Check your credit report annually to ensure accuracy. You can access a free copy of your credit report at annualcreditreport.com.

Not everyone needs an elaborate estate plan, but there are few pieces that everyone should consider. A Will is a legal document that outlines your wishes for your property. It can also address who would raise your minor children and how they would be provided for financially and who would handle the day to day administration for settling your estate. What if you become incapacitated? Who would handle your affairs if you were injured in an accident or become ill? Durable powers of attorney authorize you to designate someone to handle your financial matters. Healthcare powers of attorney designate someone to make medical decisions on your behalf. Medical directives or living wills express your wishes concerning end-of-life decisions.

A few simple steps that can save a lot of time and heartache in the future is to review the titling of your assets including your checking and savings accounts, cars, and home. You can handle many assets properly just with titling. A Transfer on Death or a Pay on Death designation will avoid probate and pass to the beneficiary listed. Review beneficiaries on life insurance policies and retirement plans. Has there been a divorce or a death that could have undesirable consequences on who receives your assets at your passing?

These are just a few of the fundamental pieces to a healthy financial life. Each family situation is different and experiencing different phases of life. You are encouraged to be an advocate for your family's financial literacy and to take advantage of the resources available throughout the city. The Financial Planning Association of Greater Kansas City is one of the organizations coordinating Money Smart Month along with Federal Reserve Bank of Kansas City, United Way, Catholic Charities, and many others. For a full list and more information please visit

www.moneysmartkc.org

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